

The Ontario Securities Commission

OSC Bulletin

October 12, 2001

Volume 24, Issue 41

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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

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Toronto, Ontario
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Chapter 1

Notices / News Releases

1.1 Notices

SCHEDULED OSC HEARINGS

1.1.1 Current Proceedings Before The Ontario Securities Commission

October 12, 2001

CURRENT PROCEEDINGS

BEFORE

ONTARIO SECURITIES COMMISSION

Unless otherwise indicated in the date column, all hearings will take place at the following location:

The Harry S. Bray Hearing Room
Ontario Securities Commission
Cadillac Fairview Tower
Suite 1700, Box 55
20 Queen Street West
Toronto, Ontario
M5H 3S8

Telephone: 416-597-0681 Telecopiers: 416-593-8348

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THE COMMISSIONERS

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Paul M. Moore, Q.C., Vice-Chair	—	PMM
Howard Wetston, Q.C., Vice-Chair	—	HW
Kerry D. Adams, FCA	—	KDA
Stephen N. Adams, Q.C.	—	SNA
Derek Brown	—	DB
Robert W. Davis, FCA	—	RWD
John A. Geller, Q.C.	—	JAG
Robert W. Korthals	—	RWK
Mary Theresa McLeod	—	MTM
H. Lorne Morphy, Q. C.	—	HLM
R. Stephen Paddon, Q.C.	—	RSP

Date to be announced	<p>Mark Bonham and Bonham & Co. Inc.</p> <p>s. 127</p> <p>Staff: TBA</p> <p>Panel: TBA</p>
November 30/2001 10:00 a.m.	<p>Rampart Securities Inc.</p> <p>ss. 127</p> <p>Staff in attendance Johanna Superina</p> <p>Panel: PMM</p>
January 3/2002	<p>Jack Banks et al.</p> <p>s. 127</p> <p>Mr. Ian Smith in attendance for staff.</p> <p>Panel: PMM</p>
October 24/2001 10:00 a.m.	<p>Sohan Singh Koonar</p> <p>s. 127 and 127.1</p> <p>Ms. Johanna Superina in attendance for staff.</p> <p>Panel: PMM</p>
October 29/2001 10:00 a.m.	<p>YBM Magnex International Inc., Harry W. Antes, Jacob G. Bogatin, Kenneth</p>
October 30/2001 2:00 p.m.	<p>E. Davies, Igor Fisherman, Daniel E. Gatti, Frank S. Greenwald, R. Owen</p>
November 6-9	<p>Mitchell, David R. Peterson, Michael</p>
November 13-16	<p>D. Schmidt, Lawrence D. Wilder,</p>
December 4, 6, 7, 13, 14, 18 & 20/2001	<p>Griffiths Mcburney & Partners, National Bank Financial Corp., (formerly known as First Marathon Securities Limited)</p>
9:30 a.m.	<p>s. 127</p> <p>K. Daniels / M. Code / J. Naster / I. Smith in attendance for staff.</p> <p>Panel: HIW / DB / RWD</p>

December 5
/2001
10:00 a.m.

**Livent Inc., Garth Drabinsky, Myron I.
Gottlieb, Gordon Eckstein, Robert
Topol**

s. 127 and 127.1

Ms. Johanna Superina in attendance for
staff.

Panel: HIW

December 17
/2001
10:00 a.m.

James Frederick Pincock

ss. 127

Ms. Johanna Superina in attendance for
staff.

Panel: PMM

ADJOURNED SINE DIE

**Buckingham Securities Corporation,
Lloyd Bruce, David Bromberg, Harold
Seidel, Rampart Securities Inc., W.D.
Latimer Co. Limited, Canaccord Capital
Corporation, BMO Nesbitt Burns Inc.,
Bear, Stearns & Co. Inc., Dundee
Securities Corporation, Caldwell
Securities Limited and B2B Trust**

Michael Bourgon

**DJL Capital Corp. and Dennis John
Little**

**Dual Capital Management Limited,
Warren Lawrence Wall, Shirley Joan
Wall, DJL Capital Corp., Dennis John
Little and Benjamin Emile Poirier**

**First Federal Capital (Canada)
Corporation and Monter Morris Friesner**

**Ricardo Molinari, Ashley Cooper,
Thomas Stevenson, Marshall Sone, Fred
Elliott, Elliott Management Inc. and
Amber Coast Resort Corporation**

**Global Privacy Management Trust and
Robert Cranston**

Irvine James Dyck

**M.C.J.C. Holdings Inc. and Michael
Cowpland**

**Offshore Marketing Alliance and Warren
English**

**Robert Thomislav Adzija, Larry Allen
Ayres, David Arthur Bending, Marlene
Berry, Douglas Cross, Allan Joseph
Dorsey, Allan Eizenga, Guy Fangeat,
Richard Jules Fangeat, Michael Hersey,
George Edward Holmes, Todd Michael
Johnston, Michael Thomas Peter
Kennelly, John Douglas Kirby, Ernest
Kiss, Arthur Krick, Frank Alan Latam,
Brian Lawrence, Luke John Mcgee, Ron
Masschaele, John Newman, Randall
Novak, Normand Riopelle, Robert Louis
Rizzuto, And Michael Vaughan**

PROVINCIAL DIVISION PROCEEDINGS

S. B. McLaughlin

Southwest Securities

Terry G. Dodsley

Date to be
announced

Michael Cowpland and M.C.J.C.
Holdings Inc.

s. 122

Ms. M. Sopinka in attendance for staff.

Ottawa

November 9/
2001
1:30 p.m.
Courtroom N

1173219 Ontario Limited c.o.b. as
TAC (The Alternate Choice), TAC
International Limited, Douglas R.
Walker, David C. Drennan, Steven
Peck, Don Gutoski, Ray Ricks, Al
Johnson and Gerald McLeod

s. 122

Mr. D. Ferris in attendance for staff.
Provincial Offences Court
Old City Hall, Toronto

November
15/2001
9:00 a.m.

Einar Bellfield

s. 122

Ms. Sarah Oseni in attendance for staff.

Courtroom 111, Provincial
Offences Court
Old City Hall, Toronto

Reference:

John Stevenson
Secretary to the
Ontario Securities Commission
(416) 593-8145

1.1.2 Policy Reformulation Project - Table of Concordance

OSC STAFF NOTICE 11-714

POLICY REFORMULATION PROJECT - TABLE OF CONCORDANCE

To assist market participants in identifying the current status of instruments that existed before the Reformulation Project, Staff has prepared a table of concordance. The table shows the treatment of each National Policy, Uniform Act Policy, OSC Policy, Blanket Ruling, CSA Notice, OSC Notice, Principles of Regulation, Staff Accounting Registration Section Clarification Note and Interpretation Note. The table indicates whether it has been published for comment as a new instrument under the Policy Reformulation Project, finalized as a new instrument or whether it has been or is proposed to be repealed or is under consideration. In addition, the table only indicates the primary instrument and does not indicate the corresponding companion policy or forms where applicable. The final pages of the chart show new instruments that are new initiatives that were developed separately from the Reformulation Project.

Within the table, a reference to the instrument being "Under Consideration", "In the process of being reformulated as", "To Be Retained" or "To Be Repealed" indicates that the determination as to the appropriate treatment of the instrument has not been finalized and represents Staff's views at this time so that it is subject to the Commission's approval and otherwise to change.

Item Key

- | | | |
|--------------------------|---|-----------------------------------|
| BR - Blanket Ruling | OSCN - Notice of OSC or OSC Staff | SAC - Staff Accounting Communiqué |
| CSAN - Notice of CSA | OSC - OSC Policy | UAP - Uniform Act Policy |
| IN - Interpretation Note | PR - Principles of Regulation | |
| NP - National Policy | REG - Registration Section Clarification Note | |

NOTE: The third digit of each instrument represents the following: 1-National/Multilateral Instrument; 2-National/Multilateral Policy; 3-CSA Notice; 4-Concept Release; 5-Local Rule; 6-Local Policy; 7-Local Notice; 8-Implementing Instrument; 9-Miscellaneous

Pre-Reformulation		Reformulation		
INSTRUMENT	TITLE	NUMBER	TITLE	STATUS AS AT SEPTEMBER 30, 2001
NATIONAL POLICY				
NP 1	Clearance of National Issues RESCINDED JANUARY 1, 2000	43-201	Mutual Reliance Review System for Prospectus and Initial AIFs	<i>CAME INTO FORCE JAN 1/00</i>
NP 2-A	Guide for Engineers, Geologists and Prospectors Submitting Reports on Mining Properties to Canadian Provincial Securities Administrators RESCINDED FEBRUARY 1, 2001	43-101	Standards of Disclosure for Mineral Exploration and Development and Mining Properties	<i>CAME INTO FORCE FEB 1/01</i>
NP 2-B	Guide for Engineers and Geologists Submitting Oil and Gas Reports to Canadian Provincial Securities Administrators		Guide for Engineers and Geologists Submitting Oil and Gas Reports	<i>In the process of being reformulated as 43-102</i>
NP 3	Unacceptable Auditors			<i>Under Consideration</i>
NP 4	Conditions for Dealer Sub-Underwriting			<i>Repealed Apr 1/99</i>
NP 12	Disclosure of "Market Out" Clauses in Underwriting Agreements in Prospectuses RESCINDED DECEMBER 31, 2000	41-101	Prospectus Disclosure Requirements	<i>CAME INTO FORCE DEC 31/00</i>
NP 13	Disclaimer Clause on Prospectus RESCINDED DECEMBER 31, 2000	41-101	Prospectus Disclosure Requirements	<i>CAME INTO FORCE DEC 31/00</i>

Pre-Reformulation		Reformulation		
INSTRUMENT	TITLE	NUMBER	TITLE	STATUS AS AT SEPTEMBER 30, 2001
NP 14	Acceptability of Currencies in Material Filed with Securities Regulatory Authority	52-102	Use of Currencies	<i>Published for comment May 29/98</i>
NP 15	Conditions Precedent to Acceptance of Scholarship or Educational Plan Prospectuses		Scholarship Plans	<i>In the process of being reformulated as 46-102</i>
NP 16	Maintenance of Provincial Trading Records			<i>Repealed Apr 1/99</i>
NP 17	Violations of Securities Laws of Other Jurisdictions - Conduct Affecting Fitness for Continued Registration RESCINDED OCTOBER 16, 1998	34-201	Breach of Requirements of Other Jurisdictions	<i>CAME INTO FORCE OCT 16/98</i>
NP 18	Conflict of Interest - Registrants Acting as Corporate Directors RESCINDED SEPTEMBER 25, 1998	34-202	Registrants Acting as Corporate Directors	<i>CAME INTO FORCE OCT 16/98</i>
NP 20	Trading in Unqualified Securities - Securities in Primary Distribution in Other Jurisdictions			<i>Repealed Apr 1/99</i>
NP 21	National Advertising - Warnings			<i>Under Consideration</i>
NP 22	Use of Information and Opinion Re Mining and Oil Properties by Registrants and Others	43-101	Standards of Disclosure for Mineral Exploration and Development and Mining Properties	<i>CAME INTO FORCE FEB 1/01</i>
NP 25	Registrants: Advertising: Disclosure of Interest			<i>Under Consideration</i>
NP 27	Canadian Generally Accepted Accounting Principles		Auditor's Report	<i>In the process of being reformulated as 52-104</i>
NP 29	Mutual Funds Investing in Mortgages		Mutual Funds Investing in Mortgages	<i>In the process of being reformulated as 81-103</i>
NP 30	Processing of "Seasoned Prospectuses" RESCINDED APRIL 30, 2001	43-201	Mutual Reliance Review System for Prospectus and Initial AIFs	<i>CAME INTO FORCE JAN 1/00</i>
NP 31	Change of Auditor of a Reporting Issuer	52-103	Change of Auditor	<i>Published for comment May 29/98</i>
NP 32	Prospectus Warning Re: Scope of Distribution RESCINDED DECEMBER 31, 2000	41-101	Prospectus Disclosure Requirements	<i>CAME INTO FORCE DEC 31/00</i>
NP 33	Financing of Film Productions			<i>Repealed Apr 11/97</i>
NP 34	Unincorporated Issuers: Requirement to Maintain a Register of Security Holders RESCINDED FEBRUARY 1, 2000	81-102	Mutual Funds	<i>CAME INTO FORCE FEB 1/00</i> <i>AMENDMENTS CAME INTO FORCE MAY 2/01</i>

Pre-Reformulation		Reformulation		
INSTRUMENT	TITLE	NUMBER	TITLE	STATUS AS AT SEPTEMBER 30, 2001
NP 35	Purchaser's Statutory Rights RESCINDED DECEMBER 31, 2000	41-101	Prospectus Disclosure Requirements	<i>CAME INTO FORCE DEC 31/00</i>
NP 36	Mutual Funds - Simplified Prospectus Qualification System REPEALED FEBRUARY 1, 2000	81-101	Mutual Fund Prospectus Disclosure	<i>CAME INTO FORCE FEB 1/00</i> <i>AMENDMENTS CAME INTO FORCE MAY 2/01</i>
NP 37	Take-Over Bids: Reciprocal Cease Trading Orders RESCINDED AUGUST 4, 1997	62-201	Bids Made Only in Certain Jurisdictions	<i>CAME INTO FORCE AUG 4/97</i>
NP 38	Take-Over Bids - Defensive Tactics RESCINDED AUGUST 4, 1997	62-202	Take-Over Bids - Defensive Tactics	<i>CAME INTO FORCE AUG 4/97</i>
NP 39	Mutual Funds RESCINDED FEBRUARY 1, 2000	81-102	Mutual Funds	<i>CAME INTO FORCE FEB 1/00</i> <i>AMENDMENTS CAME INTO FORCE MAY 2/01</i>
NP 40	Timely Disclosure			<i>To be rescinded pending adoption of proposed National Policy 51-201</i>
NP 41	Shareholder Communication FORMER DEEMED RULE EXTENDED UNTIL DECEMBER 31, 2001	54-101	Communication with Beneficial Owners of Securities of a Reporting Issuer	<i>Republished for comment Sep 1/00</i>
		54-102	Supplemental Mailing List and Interim Financial Statement Exemption	<i>Published for comment Feb 27/98</i>
NP 42	Advertising of Securities on Radio or Television (Interim)			<i>Under Consideration</i>
NP 43	(DRAFT) Advertisements of Securities and Related Sales Practices			<i>Under Consideration</i>
NP 44	Rules for Shelf Prospectus Offerings and Pricing Offerings After the Final Prospectus is Received EXPIRED DECEMBER 31, 2000	44-102	Shelf Distributions	<i>CAME INTO FORCE DEC 31/00</i>
		44-103	Post-Receipt Pricing	<i>CAME INTO FORCE DEC 31/00</i>
NP 45	Multijurisdictional Disclosure System EXPIRED NOVEMBER 1, 1998	71-101	The Multijurisdictional Disclosure System	<i>CAME INTO FORCE NOV 1/98</i>
NP 47	Prompt Offering Qualification System EXPIRED DECEMBER 31, 2000	44-101	Short Form Prospectus Distributions	<i>CAME INTO FORCE Dec 31/00</i>
		44-801	Implementing National Instrument 44-101 Short Form Prospectus Distributions	<i>CAME INTO FORCE Apr 21/01</i>
NP 48	Future-Oriented Financial Information	52-101	Future-Oriented Financial Information	<i>Published for comment Jul 18/97</i>
NP 49	Self-Regulatory Organization Membership			<i>To be revoked</i>

Pre-Reformulation		Reformulation		
INSTRUMENT	TITLE	NUMBER	TITLE	STATUS AS AT SEPTEMBER 30, 2001
NP 50	Reservations in an Auditor's Report		Auditor's Report	<i>In the process of being reformulated as 52-104</i>
NP 51	Changes in the Ending Date of a Financial Year and in Reporting Status		Change in the Ending Date of a Financial Year	<i>In the process of being reformulated as 52-105</i>
NP 53	(DRAFT) - Foreign Issuers			<i>To be retained</i>
NP 54	(DRAFT) - Expedited Registration System for Advisers	31-101	Mutual Reliance Review System for Registration	<i>Published for comment Jun 19/98</i>
UNIFORM ACT POLICY				
UAP 2-01	"Undertakings" - Extra-provincial Companies			<i>Repealed Jan 1/99</i>
UAP 2-02	Prospectuses - Annual Re-Filings			<i>Repealed Jan 1/99</i>
UAP 2-03	Prospectuses and Amendments - Certification (section 52[53]) Supporting Documentation REPEALED JANUARY 1/99	41-501	General Prospectus Requirements	<i>CAME INTO FORCE DEC 31/00</i>
UAP 2-04	Consent of Solicitors - Disclosure of Interest REPEALED JANUARY 1/99	41-501	General Prospectus Requirements	<i>CAME INTO FORCE DEC 31/00</i>
UAP 2-05	Applications under s. 34(1)14 [35(1)14] and 71(1)(h)[72(1)(h)] of the Securities Act by a Company Wishing to Sell Additional Securities to its Security Holders	45-101	Rights Offerings	<i>CAME INTO FORCE JUL 25/01</i>
UAP 2-06	Use of Shareholders' Lists by Registrants			<i>Repealed Jan 1/99</i>
UAP 2-07	Surrender of Registration - Other than Salesman RESCINDED APRIL 7, 1998	33-501	Surrender of Registration	<i>CAME INTO FORCE APR 7/98</i>
UAP 2-08	Declaration as to Short Position - Listed and Unlisted Securities			<i>Repealed Jan 1/99</i>
UAP 2-09	Insider Trading Reports - Loan and Trust Companies			<i>Repealed Jan 1/99</i>
UAP 2-10	Insider Trading Reports - Persons Required to Report in More Than One Capacity			<i>Repealed May 1/98</i>
UAP 2-11	Policy Statement in Connection with Applications to the Commission for an Order Under Section 79(a)[80(a)] of the Securities Act (Ontario)			<i>Repealed Apr 3/98</i>
UAP 2-13	Advertising During Waiting Period Between Preliminary and Final Prospectuses			<i>To be retained</i>
OSC POLICY				
OSC 1.1	O.S.C. Policy Statements -- General			<i>Repealed Mar 1/99</i>

Pre-Reformulation		Reformulation		
INSTRUMENT	TITLE	NUMBER	TITLE	STATUS AS AT SEPTEMBER 30, 2001
OSC 1.3	Restricted Shares RESCINDED OCTOBER 27, 1999	56-501	Restricted Shares	<i>CAME INTO FORCE OCT 25/99</i>
OSC 1.4	Reciprocal Enforcement of Cease Trading Orders			<i>Under Consideration</i>
OSC 1.6	Strip Bonds RESCINDED MAY 1, 1998	91-501	Strip Bonds	<i>CAME INTO FORCE MAY 1/98</i>
OSC 1.7	The Securities Advisory Committee to the OSC		The Securities Advisory Committee to the OSC	<i>In the process of being reformulated as 11-701</i>
OSC 1.9	Use By Dealers of Brokerage Commissions as Payment for Goods or Services Other than Order Execution Services ("Soft Dollar" Deals)			<i>Under Consideration</i>
OSC 2.1	Applications to the Ontario Securities Commission		Applications to the OSC	<i>In the process of being reformulated as 12-601</i>
OSC 2.2	Public Availability of Material Filed under the Securities Act	13-601	Public Availability of Material Filed under the Securities Act	<i>Retained and renumbered as 13- 601 on Apr 20/01</i>
OSC 2.3	Joint Hearings with Other Provincial Administrators - Conditions Precedent and Costs REPEALED JULY 1/97		Rules of Practice	<i>CAME INTO FORCE JUL 1/97</i>
OSC 2.4	Conflict of Interest Guidelines for Members of the Ontario Securities Commission and Staff REPEALED APRIL 16/98	By-law No. 2	A By-law relating to conflicts of interest in connection with the conduct of the affairs of the Securities Commission	<i>CAME INTO FORCE JAN 18/98</i>
OSC 2.5	Certificates of No Default under Section 72(8) and List of Defaulting Issuers under Section 72(9) of the Securities Act	51-601	Certificates of No-Default Under Subsection 72(8) and List of Defaulting Reporting Issuers Under s.72(9), of the Act	<i>Republished for comment Dec 8/00</i>
OSC 2.6	Applications for Exemption from Preparation and Mailing of Interim Financial Statements, Annual Financial Statements and Proxy Solicitation Material	52-601	Exemption re: Mailing of Financial Statements and Proxy Solicitation Material	<i>Retained and renumbered as 52- 601 on Apr 20/01</i>
OSC 2.7	Appeals to the Ontario Securities Commission By Way of Hearing and Review REPEALED JULY 1/97		Rules of Practice	<i>CAME INTO FORCE JUL 1/97</i>
OSC 2.8	Applications for Ontario Securities Commission Consent to Obtain Transcripts of Evidence Taken During Investigations or Hearings REPEALED JULY 1/97		Rules of Practice	<i>CAME INTO FORCE JUL 1/97</i>
OSC 2.9	Cease Trading Orders - Applications for Partial Revocation to Permit a Securityholder to Establish a Tax Loss for Income Tax Purposes RESCINDED FEBRUARY 24, 1998	57-602	Cease Trading Orders - Application for Partial Revocation to Permit a Securityholder to Establish a Tax Loss	<i>CAME INTO FORCE FEB 24/98</i>

Pre-Reformulation		Reformulation		
INSTRUMENT	TITLE	NUMBER	TITLE	STATUS AS AT SEPTEMBER 30, 2001
OSC 2.10	Restrictions on Practice Before the Commission and its Staff Upon Termination of the Appointments of Members of the Commission and its Staff REPEALED APR 16/98	By-law No. 2	A By-law relating to conflicts of interest in connection with the conduct of the affairs of the Ontario Securities Commission	<i>CAME INTO FORCE JAN 18/98</i>
OSC 2.11	Conflicts of Interest of Members of the Ontario Securities Commission REPEALED APR 16/98	By-law No. 2	A By-law relating to conflicts of interest in connection with the conduct of the affairs of the Ontario Securities Commission	<i>CAME INTO FORCE JAN 18/98</i>
OSC 2.12	Televising of Ontario Securities Commission Hearings REPEALED JUL 1/97		Rules of Practice	<i>CAME INTO FORCE JUL 1/97</i>
OSC 3.1	Recognition by the Commission of Stock Exchanges, etc. PORTIONS REPLACED	21-901	Recognition Order - In the Matter of the Recognition of Certain Stock Exchanges (1997), 20 O.S.C.B. 1034	<i>CAME INTO FORCE MAR 1/97</i> <i>AMENDMENT CAME INTO FORCE AUG 29/00</i>
		62-904	Recognition Order - In the Matter of the Recognition of Certain Jurisdictions [ss. 93(1)(e) and ss. 93(3)(h) of the Act] (1997), 20 O.S.C.B. 1035	<i>CAME INTO FORCE MAR 1/97</i>
		45-501	Exempt Distributions [replaces subsection 25(2) of Regulation 1015]	<i>CAME INTO FORCE DEC 22/98</i> <i>Amendments published Sep 14/01; delivered to Minister on Sep 12/01</i>
		45-502	Dividend or Interest Reinvestment and Stock Dividend Plans	<i>CAME INTO FORCE JUN 10/98</i> <i>Amendments published for comment Sep 14/01</i>
OSC 4.1	Public Ownership of Dealers, Conditions of Registration and Institutional Ownership			<i>Repealed Mar 1/99</i>
OSC 4.2	Suspension of Registration - Criminal Charges Pending	34-602	Suspension of Registration - Criminal Charges Pending	<i>Retained and renumbered as 34-602 on Apr 20/01</i>
OSC 4.3	Self-Directed RRSPs and Other Plans Recognized by the Commission for Purposes of this Policy Statement and Administered by Brokers or Investment Dealers on Behalf of Authorized Trustees	33-101	Administration of Self-Directed RRSPs, RESPs and RRIFs by Dealers	<i>Published for comment Feb 13/98</i>

Pre-Reformulation		Reformulation		
INSTRUMENT	TITLE	NUMBER	TITLE	STATUS AS AT SEPTEMBER 30, 2001
OSC 4.4	Dual Registration Under the <i>Securities Act</i>	31-501	Registrant Relationships	<i>CAME INTO FORCE SEP 4/97; Amendments published for comment June 19/98</i>
OSC 4.5	Dual Licensing of Life Insurance Agents			<i>Repealed (1994), 17 O.S.C.B. 6073</i>
OSC 4.6	Registration - Declaration of Personal Bankruptcy	34-601	Registration - Declaration of Personal Bankruptcy	<i>Retained and renumbered as 34-601 on Apr 20/01</i>
OSC 4.7*	Registration of Non-Resident Salesmen, Partners or Officers of Registered Dealers			<i>Under Consideration. *NOTE: Previously published for comment as 35-501; Commission staff will not be proceeding with OSC Rule 35-501</i>
OSC 4.8	Non-Resident Advisers EXPIRED NOVEMBER 18, 2000	35-502	Non-Resident Advisers	<i>CAME INTO FORCE NOV 18/00</i>
OSC 5.1	Prospectuses - General Guidelines PORTIONS RESCINDED DECEMBER 31, 2000	41-501	General Prospectus Requirements	<i>CAME INTO FORCE Dec 31/00</i>
		48-502*	Over-Allotment Options and Underwriters' Compensation	<i>Published for Comment Apr 25/97. *NOTE: Commission staff will not be proceeding with OSC Rule 48-502</i>
OSC 5.1 (24)	Prospectus Disclosure in Information Circulars: Amalgamation, Arrangements, Mergers and Reorganizations RESCINDED DECEMBER 31, 2000	54-501	Prospectus Disclosure in Certain Information Circulars	<i>CAME INTO FORCE DEC 31/00</i>
OSC 5.1 (26)	Trading by issuers, Selling Security Holders, Underwriters, Dealers and Their Affiliates and Joint Actors During a Distribution by Prospectus of TSE - listed Securities		Market Stabilization During Distributions	<i>In the process of being reformulated as 48-501</i>
OSC 5.2	Junior Natural Resource Issuers			<i>Lapsed Jul 1/01</i>
OSC 5.3	Mortgage and Real Estate Investment Trusts and Partnerships			<i>Under Consideration</i>
OSC 5.4	"Closed-End" Income Investment Trusts and Partnerships			<i>Under Consideration</i>
OSC 5.7	Preliminary Prospectuses - Preparation, Filing and Frequently Occurring Deficiencies PORTIONS RESCINDED DECEMBER 31, 2000	41-501	General Prospectus Requirements	<i>CAME INTO FORCE DEC 31/00</i>

Pre-Reformulation		Reformulation		
INSTRUMENT	TITLE	NUMBER	TITLE	STATUS AS AT SEPTEMBER 30, 2001
OSC 5.9	Escrow Guidelines - Industrial Issuers			<i>To be rescinded pending adoption of proposed National Policy 46-201</i>
OSC 5.10	Annual Information Form and Management's Discussion and Analysis of Financial Condition and Results of Operations RESCINDED MAY 31, 2001	51-501	Annual Information Form and Management's Discussion and Analysis of Financial Condition and Results of Operation	<i>CAME INTO FORCE JAN 1/01</i>
OSC 6.1	Private Placements RESCINDED DECEMBER 22, 1998	45-501	Exempt Distributions	<i>CAME INTO FORCE DEC 22/98</i> <i>Amendments published Sep 14/01; delivered to Minister on Sep 12/01</i>
OSC 6.2	Rights Offerings	45-101	Rights Offerings	<i>CAME INTO FORCE JUL 25/01</i>
		45-502	Dividend or Interest Reinvestment and Stock Dividend Plans	<i>CAME INTO FORCE JUN 10/98</i> <i>Amendments published for comment Sep 14/01</i>
OSC 7.1	Application of Requirements of the Securities Act to Certain Reporting Issuers		Continuous Disclosure and Other Exemptions for Foreign Reporting Issuers	<i>In the process of being reformulated as 72-502 (formerly 51-502)</i>
OSC 7.2	Timely Disclosure -- Early Warning			<i>Repealed Mar 1/99</i>
OSC 7.3	Management's Report Disclosing Contingencies and Going Concern Considerations in Financial Statements			<i>Repealed Mar 1/99</i>
OSC 7.4	Business and Asset Combinations	62-602	Business and Asset Combinations	<i>Retained and renumbered as 62-602 on Apr 20/01</i>
OSC 7.5	Reciprocal Filings	51-603	Reciprocal Filings	<i>Retained and renumbered as 51-603 on Apr 20/01</i>
OSC 7.6	Enforcement of Timely Filings of Financial Statements			<i>Repealed Mar 1/99</i>
OSC 7.7	The Oil and Gas Industry - Application of the Ceiling Test When the Full Cost Method is Used			<i>Repealed Mar 1/99</i>
OSC 7.8	(DRAFT) Reverse Take-overs - Timely Disclosure	46-502	Reverse Take-overs	<i>Under Consideration</i>

Pre-Reformulation		Reformulation		
INSTRUMENT	TITLE	NUMBER	TITLE	STATUS AS AT SEPTEMBER 30, 2001
OSC 9.1	Disclosure, Valuation, Review and Approval Requirements and Recommendations for Insider Bids, Issuer Bids, Going Private Transactions, and Related Party Transactions	61-501	Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions	<i>CAME INTO FORCE May 1/00</i> <i>Amendments published for comment Aug 24/01</i>
OSC 9.3	Take-Over Bids - Miscellaneous Guidelines	62-601	Take-Over Bids - Miscellaneous Guidelines	<i>Retained and renumbered as 62-601 on Apr 20/01</i>
OSC 10.1	Applications for Exemption from Insider Reporting Obligations for Insiders of Subsidiaries and Affiliated Issuers RESCINDED MAY 15, 2001	55-101	Exemptions from Certain Insider Reporting Requirements	<i>CAME INTO FORCE MAY 15/01</i>
OSC 10.2	Guidelines for Establishment of Procedures in Relation to Confidential Information RESCINDED JANUARY 27, 1998	33-601	Guidelines for Policies and Procedures Concerning Inside Information	<i>CAME INTO FORCE JAN 27/98</i>
OSC 11.1	Mutual Fund Trusts: Interim OSC Approval of Mutual Fund Trustees Pursuant to Clause 213(3)(b) of the <i>Loan and Trust Corporations Act, 1987</i> RESCINDED JANUARY 14, 1997	81-901	Approval of Mutual Fund Trustees Under Clause 213(3)(b) of the <i>Loan and Trust Corporations Act</i>	<i>CAME INTO FORCE JAN 14/97</i>
OSC 11.2	Bond Ratings Services - Statements of Investment Portfolio and Statements of Portfolio Transactions of Mutual Funds	81-902	Recognition Order - In the Matter of the Recognition of Certain Rating Agencies (1997), 20 O.S.C.B. 1034	<i>CAME INTO FORCE MAR 1/97</i>
OSC 11.4	Commodity Pool Programs	81-104	Commodity Pools	<i>Republished for comment Jun 2/00</i>
OSC 11.5	Real Estate Mutual Funds - General Prospectus Guidelines			<i>Repealed Dec 20/96</i>
BLANKET RULING				
BR	Certain Reporting Issuers (1980), 3 O.S.C.B. 54		Continuous Disclosure and Other Exemptions for Foreign Reporting Issuers	<i>In the process of being reformulated as 72-502 (formerly 51-502)</i>
BR	Certain Reporting Issuers (1980), 3 O.S.C.B. 166 FORMER DEEMED RULE EXTENDED UNTIL JULY 1, 2002		Continuous Disclosure and Other Exemptions for Foreign Reporting Issuers	<i>In the process of being reformulated as 72-502 (formerly 51-502)</i>
BR	The Automatic Investment of Dividends or Distributions in Shares or Units of Mutual Funds (1983), 6 O.S.C.B. 1078 RESCINDED OCTOBER 10, 1997	81-501	Mutual Fund Reinvestment Plans	<i>CAME INTO FORCE OCT 10/97</i>
BR	Certain Proposed Amendments (1983), 6 O.S.C.B. 3508 EXPIRED DECEMBER 22, 1998	45-501	Exempt Distributions	<i>CAME INTO FORCE DEC 22/98</i> <i>Amendments published Sep 14/01; delivered to Minister on Sep 12/01</i>

Pre-Reformulation		Reformulation		
INSTRUMENT	TITLE	NUMBER	TITLE	STATUS AS AT SEPTEMBER 30, 2001
BR	Discount Brokerage and The Role of Financial Institutions (1984), 7 O.S.C.B. 458			<i>Expired Mar 1/97</i>
BR	Trading in Commodity Futures Contracts and Commodity Futures Options Entered Into On Commodity Futures Exchanges Situate Outside Canada Other than Commodity Futures Exchanges in the United States of America (1980), 15 O.S.C.B. 7, as varied by (1984), 7 O.S.C.B. 995*	91-503	Trades in Commodity Futures Contracts and Commodity Futures Options Entered into on Commodity Futures Exchange Situate Outside of Ontario	<i>CAME INTO FORCE MAR 28/97</i>
BR	Order Execution Access Dealers (1984), 7 O.S.C.B. 1520			<i>Expired Mar 1/97</i>
BR	Certain Reporting Issuers (1984), 7 O.S.C.B. 1913 FORMER DEEMED RULE EXTENDED UNTIL JULY 1, 2002		Continuous Disclosure and Other Exemptions for Foreign Reporting Issuers	<i>In the process of being reformulated as 72-502 (formerly 51-502)</i>
BR	Certain Reporting Issuers (1984), 7 O.S.C.B. 3247 FORMER DEEMED RULE EXTENDED UNTIL JULY 1, 2002		Continuous Disclosure and Other Exemptions for Foreign Reporting Issuers	<i>In the process of being reformulated as 72-502 (formerly 51-502)</i>
BR	Zero Coupon Strip Bonds (1984), 7 O.S.C.B. 4085 RESCINDED MAY 1, 1998	91-501	Strip Bonds	<i>CAME INTO FORCE MAY 1/98</i>
BR	Trading in Commodity Futures Contracts and Commodity Futures Options Entered into on Commodity Futures Exchanges in the United States of America (1984), 7 O.S.C.B. 4578 ¹	91-503	Trades in Commodity Futures Contracts and Commodity Futures Options Entered into on Commodity Futures Exchanges Situate Outside of Ontario	<i>CAME INTO FORCE MAR 28/97</i>
BR	Eurosecurity Financing (1984), 7 O.S.C.B. 4897			<i>Expired Mar 1/97</i>
BR	Simplified Prospectus Qualification System for Mutual Funds (1984), 7 O.S.C.B. 5333 EXPIRED FEBRUARY 1, 2000	81-101	Mutual Fund Prospectus Disclosure	<i>CAME INTO FORCE FEB 1/00</i> <i>AMENDMENTS CAME INTO FORCE MAY 2/01</i>
BR	Trades In Securities of a Private Company Under The Execution Act (1985), 8 O.S.C.B. 127 EXPIRED DECEMBER 22, 1998	45-501	Exempt Distributions	<i>CAME INTO FORCE DEC 22/98</i> <i>Amendments published Sep 14/01; delivered to Minister on Sep 12/01</i>
BR	Certain Reporting Issuers (1985), 8 O.S.C.B. 2915 EXPIRED DECEMBER 31, 2000	44-101	Short Form Prospectus Distributions	<i>CAME INTO FORCE Dec 31/00</i>

¹ This ruling remains in force for purposes of the *Commodity Futures Act*

Pre-Reformulation		Reformulation		
INSTRUMENT	TITLE	NUMBER	TITLE	STATUS AS AT SEPTEMBER 30, 2001
		44-801	Implementing National Instrument 44-101 Short Form Prospectus Distributions	<i>CAME INTO FORCE Apr 21/01</i>
BR	The Mandatory Investment of Dividends or Distributions In Shares or Units of Mutual Funds (1985), 8 O.S.C.B. 4308 EXPIRED OCTOBER 10, 1997	81-501	Mutual Fund Reinvestment Plans	<i>CAME INTO FORCE OCT 10/97</i>
BR	TSE Policy on Small Shareholder Selling/Purchase Arrangements (1987), 10 O.S.C.B. 1455 EXPIRED OCTOBER 22, 1997	32-101	Small Securityholder Selling and Purchase Arrangements	<i>CAME INTO FORCE OCT 22/97</i>
BR	A Policy of the Montreal Exchange on Small Shareholder Selling and Purchase Arrangements (1987), 10 O.S.C.B. 4938 EXPIRED OCTOBER 22, 1997	32-101	Small Securityholder Selling and Purchase Arrangements	<i>CAME INTO FORCE OCT 22/97</i>
BR	Certain Proposed Amendments (1987), 10 O.S.C.B. 5936 EXPIRED DECEMBER 22, 1998	45-501	Exempt Distributions	<i>CAME INTO FORCE DEC 22/98</i> <i>Amendments published Sep 14/01; delivered to Minister on Sep 12/01</i>
BR	The Business Corporations Act and In the Matter of CDS (1988), 11 O.S.C.B. 542	22-901	Recognition Order - In the Matter of the Recognition of the Canadian Depository for Securities Limited (1997), 20 O.S.C.B. 1033	<i>CAME INTO FORCE MAR 1/97</i>
BR	Certain Reporting Issuers (1987) 10 O.S.C.B. 6306, amended by (1988), 11 O.S.C.B. 1029 RULE EXTENDED UNTIL DECEMBER 31, 2001	54-101	Communication with Beneficial Owners of Securities of a Reporting Issuer	<i>Republished for comment Sep 1/00</i>
		54-102	Supplemental Mailing List and Interim Financial Statement Exemption	<i>Published for comment Feb 27/98</i>
BR	Certain Trades in Securities of Junior Resource Issuers (1988), 11 O.S.C.B. 1522			<i>Lapsed Jul 1/01</i>
BR	Trading in Recognized Options Cleared Through Recognized Clearing Organizations (1988), 11 O.S.C.B. 4895 EXPIRED MARCH 28, 1997	91-502	Trades in Recognized Options	<i>CAME INTO FORCE MAR 28/97</i>
BR	The Securities Act (1989), 12 O.S.C.B. 2735			<i>Expired Mar 1/97</i>
BR	Trading in Commodity Futures Contracts Entered into on the Montreal Stock Exchange (August 25, 1980) OSCWS 15A, as varied by In the Matter of Trading in Commodity Futures Contracts and Commodity Futures Options Entered into on The Montreal Stock Exchange (1989), 12 O.S.C.B. 3392*	91-503	Trades in Commodity Futures Contracts and Commodity Futures Options Entered into on Commodity Futures Exchanges Situate Outside of Ontario	<i>CAME INTO FORCE MAR 28/97</i>
BR	The TSE (1990), 13 O.S.C.B. 3007			<i>Expired Mar 1/97</i>

Pre-Reformulation		Reformulation		
INSTRUMENT	TITLE	NUMBER	TITLE	STATUS AS AT SEPTEMBER 30, 2001
BR	Self-Directed RESPs (1990), 13 O.S.C.B. 4793			<i>Expired Mar 1/97</i>
BR	The TSE (1991), 14 O.S.C.B. 881	21-901	Recognition Order - In the Matter of the Recognition of Certain Stock Exchanges (1997), 20 O.S.C.B. 1034	<i>CAME INTO FORCE MAR 1/97</i> <i>AMENDMENT CAME INTO FORCE AUG 29/00</i>
BR	Rules of Shelf Prospectus Offerings and for Pricing Offerings after the Prospectus Is Received (1991), 14 O.S.C.B. 1824 EXPIRED DECEMBER 31, 2000	44-102	Shelf Distributions	<i>CAME INTO FORCE DEC 31/00</i>
		44-103	Post-Receipt Pricing	<i>CAME INTO FORCE DEC 31/00</i>
BR	The Recognized Options Rationalization Order (1991), 14 O.S.C.B. 2157 EXPIRED MARCH 28, 1997	91-502	Trades in Recognized Options	<i>CAME INTO FORCE MAR 28/97</i>
BR	Multijurisdictional Disclosure System (1991), 14 O.S.C.B. 2863 EXPIRED NOVEMBER 1, 1998	71-101	The Multijurisdictional Disclosure System	<i>CAME INTO FORCE NOV 1/98</i>
		71-801	Implementing The Multijurisdictional Disclosure System	<i>CAME INTO FORCE NOV 1/98</i>
BR	An Assignment to the Director Pursuant to Section 6 of The Securities Act (1991), 14 O.S.C.B. 3439			<i>Expired Mar 1/97</i>
BR	Mutual Fund Securities (1991), 14 O.S.C.B. 3763 EXPIRED SEPTEMBER 30, 1998	33-502	Exceptions to Conflict Rules in the Sale of Mutual Fund Securities	<i>CAME INTO FORCE SEP 30/98</i>
		33-105	Underwriting Conflicts	<i>Republished for comment Jun 22/01</i>
BR	First Prospectuses Filed by NP 36 Mutual Funds and Universal Money Market Fund (1991), 14 O.S.C.B. 3475		Now covered by subsection 23(10) of the Red Tape Reduction Act	<i>Expired Jul 1/99</i>
BR	The Recognized Options Rationalization Order (1991), 14 O.S.C.B. 4234 EXPIRED MARCH 28, 1997	91-502	Trades in Recognized Options	<i>CAME INTO FORCE MAR 28/97</i>
BR	Self-Directed Registered Education Plans (1992), 15 O.S.C.B. 613 EXPIRED JUNE 17, 1997	46-501	Self-Directed Registered Education Savings Plans	<i>CAME INTO FORCE JUN 17/97</i>
BR	Certain Advisers (1992), 15 O.S.C.B. 1955 EXPIRED NOVEMBER 18, 2000	35-502	Non-Resident Advisers	<i>CAME INTO FORCE NOV 17/00</i>
BR	Certain Members of the TSE (1992), 15 O.S.C.B. 3354 EXPIRED SEPTEMBER 4, 1997	35-503	Trades By Certain Members of the TSE	<i>CAME INTO FORCE SEP 4/97</i>
BR	Limitations on a Registrant Underwriting Securities of a Related or Connected Issuer (1992), 15 O.S.C.B. 3645 LAPSED DECEMBER 31, 2000	33-105	Underwriting Conflicts	<i>Republished for comment Jun 22/01</i>

Pre-Reformulation		Reformulation		
INSTRUMENT	TITLE	NUMBER	TITLE	STATUS AS AT SEPTEMBER 30, 2001
BR	The Prompt Offering Qualification System (1993), 16 O.S.C.B. 731, 732, 949 EXPIRED DECEMBER 31, 2000	44-101	Short Form Prospectus Distributions	<i>CAME INTO FORCE Dec 31/00</i>
		44-801	Implementing National Instrument 44-101 Short Form Prospectus Distributions	<i>CAME INTO FORCE Apr 21/01</i>
BR	NP 47 and The Solicitation of Expressions of Interests (1993), 16 O.S.C.B. 2832 EXPIRED DECEMBER 31, 2000	44-101	Short Form Prospectus Distributions	<i>CAME INTO FORCE Dec 31/00</i>
		44-801	Implementing National Instrument 44-101 Short Form Prospectus Distributions	<i>CAME INTO FORCE Apr 21/01</i>
BR	Going Private Transactions (1993), 16 O.S.C.B. 3428 EXPIRED MAY 1, 2000	61-501	Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions	<i>CAME INTO FORCE May 1/00</i> <i>Amendments published for comment Aug 24/01</i>
BR	Insider, Issuer and Take-Over Bids in Anticipation of Going Private Transactions (1993), 16 O.S.C.B. 3429 EXPIRED MAY 1, 2000	61-501	Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions	<i>CAME INTO FORCE May 1/00</i> <i>Amendments published for comment Aug 24/01</i>
BR	Ontario Regulation 638/93 and The Disclosure of Executive Compensation and of Indebtedness of Directors, Executive Officers and Senior Officers (1993), 16 O.S.C.B. 5913			<i>Expired Mar 1/97</i>
BR	Blanket Permission Under S.81 of the Regulation Under The Securities Act (Ontario) (1993), 16 O.S.C.B. 5914			<i>Expired Mar 1/97</i>
BR	Dividend Reinvestment and Stock Dividend Plans (1993), 16 O.S.C.B. 5928 EXPIRED JUNE 10, 1998	45-502	Dividend or Interest Reinvestment and Stock Dividend Plans	<i>CAME INTO FORCE JUN 10/98</i> <i>Amendments published for comment Sep 14/01</i>
BR	Certain International Offerings by Private Placement in Ontario (1993), 16 O.S.C.B. 5931 RULE EXTENDED UNTIL JULY 1, 2002	45-501	Exempt Distributions	<i>CAME INTO FORCE DEC 22/98</i> <i>Amendments published Sep 14/01; delivered to Minister on Sep 12/01</i>
		52-101	Future-Oriented Financial Information	<i>Published for comment Jul 18/97</i>
		52-102	Use of Currencies	<i>Published for comment May 29/98</i>

Pre-Reformulation		Reformulation		
INSTRUMENT	TITLE	NUMBER	TITLE	STATUS AS AT SEPTEMBER 30, 2001
BR	Blanket Permission - International Offerings made by way of Private Placement (1993), 16 O.S.C.B. 5938			<i>Lapsed Jul 1/01</i>
BR	Networking Arrangements Governed by the Principles of Regulation (1993), 16 O.S.C.B. 6168 LAPSED DECEMBER 31, 1998	33-102	Regulation of Certain Registrant Activities	<i>CAME INTO FORCE AUG 1/01</i>
BR	Networking Arrangements Governed by the Principles of Regulation (1993), 16 O.S.C.B. 6168 LAPSED DECEMBER 31, 1998	33-102	Regulation of Certain Registrant Activities	<i>CAME INTO FORCE AUG 1/01</i>
BR	A Proposal of The TSE to Foster Capital Formation for Junior Resource and Industrial Enterprises (1994), 17 O.S.C.B. 347			<i>Expired Mar 1/97</i>
BR	The Disclosure of Executive Compensation and of Indebtedness of Directors, Executive and Senior Officers (1994), 17 O.S.C.B. 1176			<i>Expired Mar 1/97</i>
BR	Dividend Reinvestment Plans (1994), 17 O.S.C.B. 1178 EXPIRED DECEMBER 22, 1998	45-501	Exempt Distributions	<i>CAME INTO FORCE DEC 22/98</i> <i>Amendments published Sep 14/01; delivered to Minister on Sep 12/01</i>
BR	Blanket Permission Under S.81 of The Regulation (1994), 17 O.S.C.B. 1187			<i>Expired Mar 1/97</i>
BR	Trades by Issuers In Connection With Securities Exchange Issuer Bids and an Amalgamation, Arrangement or Specified Statutory Procedure (1994), 17 O.S.C.B. 1975 EXPIRED DECEMBER 22, 1998	45-501	Exempt Distributions	<i>CAME INTO FORCE DEC 22/98</i> <i>Amendments published Sep 14/01; delivered to Minister on Sep 12/01</i>
BR	Real Return Bond Strip Bonds (1994), 17 O.S.C.B. 2875			<i>Expired Mar 1/97</i>
BR	Trades by Issuers Upon Exercise of Certain Conversion or Exchange Rights and The First Trade In Securities Acquired Upon Exercise of Such Conversion or Exchange Rights (1994), 17 O.S.C.B. 2877 EXPIRED DECEMBER 22, 1998	45-501	Exempt Distributions	<i>CAME INTO FORCE DEC 22/98</i> <i>Amendments published Sep 14/01; delivered to Minister on Sep 12/01</i>
BR	Trading in Securities of Labour Sponsored Investment Fund Corporations (1994), 17 O.S.C.B. 5505 LAPSED DECEMBER 31, 1998	31-502	Proficiency Requirements for Registrants	<i>CAME INTO FORCE AUGUST 17/00</i>
		31-702	Ontario Securities Commission Designation of Courses Under Rule 31-502	<i>CAME INTO FORCE AUGUST 17/00</i>

Pre-Reformulation		Reformulation		
INSTRUMENT	TITLE	NUMBER	TITLE	STATUS AS AT SEPTEMBER 30, 2001
BR	The First Trade in Securities Acquired Pursuant to Certain Exemptions, (1994), 17 O.S.C.B. 1978, as amended by (1994), 17 O.S.C.B. 5506 EXPIRED JUNE 10, 1998	72-501	Prospectus Exemption for First Trade Over a Market Outside Ontario	<i>CAME INTO FORCE JUN 10/98</i> <i>Proposed rescission published for comment Sep 14/01</i>
BR	Certain Amendments to Regulation 1015 (1994), 17 O.S.C.B. 5516	32-502	Registration Exemption for Certain Trades by Financial Intermediaries	<i>CAME INTO FORCE JAN 1/97</i> <i>AMENDMENT CAME INTO FORCE APR 9/98</i>
BR	Certain Amendments to Regulation 1015 (1994), 17 O.S.C.B. 5517	32-503	Registration and Prospectus Exemption for Trades by Financial Intermediaries in Mutual Fund Securities to Corporate Sponsored Plans	<i>CAME INTO FORCE JAN 1/97</i> <i>AMENDMENT CAME INTO FORCE APR 9/98</i>
BR	Trades by an Issuer in Securities of its own issue to Senior Officers, Directors, etc. and a Controlling Shareholder in Securities of an Issuer to Employees, Senior Officers, etc. (1994), 17 O.S.C.B. 5518 EXPIRED DECEMBER 22, 1998	45-503	Trades to Employees, Executives and Consultants	<i>CAME INTO FORCE DEC 22/98</i> <i>Amendments published for comment Sep 14/01</i>
NOTICES OF CSA				
CSAN	Audit Committees (1990), 13 O.S.C.B. 4247	52-301	Audit Committees	<i>Retained and renumbered as CSA Staff Notice 52-301</i>
CSAN	Rates of Return on Money Market Mutual Funds (1990), 13 O.S.C.B. 4329	81-102	Mutual Funds	<i>CAME INTO FORCE FEB 1/00</i> <i>AMENDMENTS CAME INTO FORCE MAY 2/01</i>
CSAN	Advertising by Money Market Mutual Funds That Have Not Offered Their Securities to the Public For a Full Year (1991), 14 O.S.C.B. 541	81-102	Mutual Funds	<i>CAME INTO FORCE FEB 1/00</i> <i>AMENDMENTS CAME INTO FORCE MAY 2/01</i>
CSAN	Soft Dollar Transactions (1992), 15 O.S.C.B. 2714			<i>Under Consideration.</i>
CSAN	Applications for Discretionary Orders (1992), 15 O.S.C.B. 3046			<i>Withdrawn Apr 20/01</i>
CSAN	Bought Deal Financing (1992), 15 O.S.C.B. 3657			<i>Under Consideration</i>
CSAN	Review of National Policy Statement No. 41 (1992), 15 O.S.C.B. 5289			<i>Withdrawn Apr 20/01</i>
CSAN	Mutual Funds: Sales Incentives (1993), 16 O.S.C.B. 359			<i>Repealed May 1/98</i>

Pre-Reformulation		Reformulation		
INSTRUMENT	TITLE	NUMBER	TITLE	STATUS AS AT SEPTEMBER 30, 2001
CSAN	Bought Deals (1993), 16 O.S.C.B. 2820			<i>Under Consideration</i>
CSAN	Pre-Marketing Activities in the Context of Bought Deals (1993), 16 O.S.C.B. 2822			<i>Under Consideration</i>
CSAN	Bought Deals (1993), 16 O.S.C.B. 4811			<i>Under Consideration</i>
CSAN	NP 39 - Mutual Funds: Section 16 Sales Communications (1993), 16 O.S.C.B. 5881 REVOKED	81-102	Mutual Funds	<i>CAME INTO FORCE FEB 1/00</i> <i>AMENDMENTS CAME INTO FORCE MAY 2/01</i>
CSAN	An Electronic System for Securities Filings (1994), 17 O.S.C.B. 2857			<i>Withdrawn Apr 20/01</i>
CSAN	Conflicts of Interest (1995), 18 O.S.C.B. 130			<i>Withdrawn Apr 20/01</i>
CSAN	Mutual Fund Sales Incentives - Point-of-Sale Disclosure Statement (1995), 18 O.S.C.B. 229			<i>Repealed May 1/98</i>
CSAN	SEDAR (1995), 18 O.S.C.B. 1892			<i>Withdrawn Apr 20/01</i>
CSAN	Proposed Foreign Issuer Prospectus and Continuous Disclosure System (Draft National Policy Statement No. 53) (1995), 18 O.S.C.B. 1893		Continuous Disclosure and Other Exemptions for Foreign Reporting Issuers	<i>In the process of being reformulated as 72-502 (formerly 51-502).</i> <i>NOTE: In the July 13, 2001 edition of the OSC Bulletin, this instrument was incorrectly noted as "Retained and renumbered as 71-102"</i>
NOTICES OF OSC OR OSC STAFF				
OSCN	Premature Announcements of Takeover Bids, Mergers, Amalgamations or Other Corporate Restructuring (1980), O.S.C.B. 2A			<i>Withdrawn Oct 6/00</i>
OSCN	Taxable Equivalent Adjustments (1983), 6 O.S.C.B. 1578			<i>Withdrawn Oct 6/00</i>
OSCN	Canadian Oil & Gas Lands Administration (1984), 7 O.S.C.B. 2675			<i>Withdrawn Oct 6/00</i>
OSCN	Auditors' Consent and Comfort Letters (1984), 7 O.S.C.B. 2993			<i>Withdrawn Oct 6/00</i>
OSCN	Color Your World - Take-over Bid Consideration (1984), 7 O.S.C.B. 3777			<i>Withdrawn Oct 6/00</i>
OSCN	Prospectus Disclosure of Ratings (1984), 7 O.S.C.B. 4362			<i>Withdrawn Oct 6/00</i>

Pre-Reformulation		Reformulation		
INSTRUMENT	TITLE	NUMBER	TITLE	STATUS AS AT SEPTEMBER 30, 2001
OSCN	Application of Ceiling Test in Financial Statements of Oil and Gas Industry Issuers (1984), 7 O.S.C.B. 5114			<i>Withdrawn Oct 6/00</i>
OSCN	Bill 34 - Freedom of Information and Privacy Act (1984), 7 O.S.C.B. 6143			<i>Withdrawn Oct 6/00</i>
OSCN	Application of OSC Policy 11.4 on Commodity Pools Program (1985), 8 O.S.C.B. 2557	81-104	Commodity Pools	<i>Republished for comment Jun 2/00</i>
OSCN	Prompt Offering Qualification System - "Wrap Around" AIFs (1985), 8 O.S.C.B. 2911			<i>Withdrawn Oct 6/00</i>
OSCN	Prohibition Against Principal Trading by Investment Dealers in Securities of Target Company During Take-Over Bid (1985), 8 O.S.C.B. 3293			<i>Withdrawn Oct 6/00</i>
OSCN	Second Notice Concerning Application of Ceiling Test in Financial Statements of Oil and Gas Industry Issuers (1985), 8 O.S.C.B. 4719			<i>Withdrawn Oct 6/00</i>
OSCN	Disclosure of Executive Compensation - Proxy Circulars (1986), 9 O.S.C.B. 1997			<i>Withdrawn Oct 6/00</i>
OSCN	Enforcement of Timely Filings of Financial Statements: Application of OSC 7.6 (1986), 9 O.S.C.B. 4216			<i>Withdrawn Oct 6/00</i>
OSCN	Leveraged Mutual Fund Purchases (1986), 9 O.S.C.B. 4375			<i>Withdrawn Oct 6/00</i>
OSCN	Fees for Prospectus Offerings Outside of Ontario (1987), 10 O.S.C.B. 1452			<i>Withdrawn Oct 6/00</i>
OSCN	Filing of Prospectuses with the Commission (1987), 10 O.S.C.B. 1730			<i>Withdrawn Oct 6/00</i>
OSCN	Advertising and Use of Marketing Material During the Waiting Period (1987), 10 O.S.C.B. 2831	47-701	Advertising and Use of Marketing Material During the Waiting Period	<i>Retained and renumbered as OSC Staff Notice 47-701 on Apr 20/01</i>
OSCN	Procedures and Requirements for Implementing Amendments to the Regulation Regarding Entry Into and Ownership of the Ontario Securities Industry (1987), 10 O.S.C.B. 2969	31-503	Limited Market Dealers	<i>CAME INTO FORCE APR 7/98</i>
OSCN	Conditional Registration of Limited Market Dealers (1987), 10 O.S.C.B. 4791			<i>Withdrawn Oct 6/00</i>
OSCN	Regulation of Mortgage Syndications - Proposed Structural Changes (1987), 10 O.S.C.B. 5145			<i>Withdrawn Oct 6/00</i>
OSCN	Pre-Filing Consultation on Innovative or Unusual Financial Reporting (1987), 10 O.S.C.B. 5687	52-703	Pre-Filing Consultation on Innovative or Unusual Financial Reporting	<i>Retained and renumbered as OSC Staff Notice 52-703 on Apr 20/01</i>

Pre-Reformulation		Reformulation		
INSTRUMENT	TITLE	NUMBER	TITLE	STATUS AS AT SEPTEMBER 30, 2001
OSCN	Report on Financial Statement Review Program (1987), 10 O.S.C.B. 5687	52-710	Report on Financial Statement Review Program	<i>Retained and renumbered as OSC Staff Notice 52-710</i>
OSCN	"Blank Cheque" Preferred Shares (1987), 10 O.S.C.B. 5690	56-501	Restricted Shares	<i>CAME INTO FORCE OCT 25/99</i>
OSCN	Soft Dollars - Exemptions by the Director (1987), 10 O.S.C.B. 6422			<i>Under Consideration</i>
OSCN	Outline of NP 39 (1987), 10 O.S.C.B. 6423			<i>Withdrawn Oct 6/00</i>
OSCN	NP 41 - Shareholder Communication Exemption from Interim Financial Statements (1988), 11 O.S.C.B. 1029			<i>To be withdrawn pending the coming into force of proposed National Instruments 54-101 and 54-102</i>
OSCN	Media Articles Appearing During the Waiting Period (1988), 11 O.S.C.B. 1098	47-703	Media Articles Appearing During the Waiting Period	<i>Retained and renumbered as OSC Staff Notice 47-703 on Apr 20/01</i>
OSCN	NP 41 - Shareholder Communication/The Canadian Depository for Securities Limited (1988), 11 O.S.C.B. 1242			<i>Withdrawn Oct 6/00</i>
OSCN	Compliance with Section 41 of the Securities Act (1988), 11 O.S.C.B. 2217	33-504	Compliance with Section 42	<i>CAME INTO FORCE APR 7/98</i>
OSCN	Mutual Fund Dealer Registration as Limited Market Dealer (1988), 11 O.S.C.B. 2311			<i>Withdrawn Oct 6/00</i>
OSCN	Applications to the OSC (1988), 11 O.S.C.B. 3107			<i>Withdrawn Oct 6/00</i>
OSCN	NP 41 - Industry Implementation and Monitoring Report (1988), 11 O.S.C.B. 3325			<i>Withdrawn Oct 6/00</i>
OSCN	OSC 5.8 - Dissemination of Future-Oriented Financial Information (1988), 11 O.S.C.B. 3726			<i>Withdrawn Oct 6/00</i>
OSCN	Conditions of Registration - Capital Requirements (1988), 11 O.S.C.B. 3726	33-701	Calculation of Regulatory Capital	<i>CAME INTO FORCE JUN 27/97</i>
OSCN	Residential Real Estate Syndications (1988), 11 O.S.C.B. 4171			<i>To be withdrawn</i>
OSCN	Noranda Inc./Falconbridge Limited - Proposed Stock Exchange Take-over Bid/Pre-Bid Integration Rules (1988), 11 O.S.C.B. 4367	62-702	Noranda Inc./Falconbridge Limited - Proposed Stock Exchange Take-over Bid/Pre-Bid Integration Rules	<i>Retained and renumbered as OSC Staff Notice 62-702 on Apr 20/01</i>

Pre-Reformulation		Reformulation		
INSTRUMENT	TITLE	NUMBER	TITLE	STATUS AS AT SEPTEMBER 30, 2001
OSCN	Further Extension of System of Conditional Registration and other Exemptions of Financial Intermediaries (1988), 11 O.S.C.B. 5137			<i>Withdrawn Oct 6/00</i>
OSCN	OSC 5.2 - Junior Natural Resource Issuers - Standing Liaison Committee (1989), 12 O.S.C.B. 953			<i>To be withdrawn</i>
OSCN	OSC 1.3 - Restricted Shares Notice Regarding Compliance with Restricted Share Disclosure Requirements and Disclosure Regarding Take-Over Bids (1989), 12 O.S.C.B. 1227	56-501	Restricted Shares	<i>CAME INTO FORCE Oct 25/99</i>
OSCN	Rights Offerings Under a Prospectus (1989), 12 O.S.C.B. 1463	45-101	Rights Offerings	<i>CAME INTO FORCE JUL 25/01</i>
OSCN	Use of "Special Warrants" in Connection with Distribution of Securities By Prospectus (1989), 12 O.S.C.B. 2168	46-701	Use of "Special Warrants" in Connection with Distribution of Securities By Prospectus	<i>Retained and renumbered as OSC Staff Notice 46-701 on Apr 20/01</i>
OSCN	Use of "Green Sheets" and other Marketing Material During the Waiting Period (1989), 12 O.S.C.B. 2641			<i>Withdrawn Oct 6/00</i>
OSCN	Supplementary Notice - Application of the Securities Act to Certain Residential Real Estate Offerings (1989) 12 O.S.C.B. 2732			<i>To be withdrawn</i>
OSCN	Collection of Personal Information - Freedom of Information and Protection of Privacy Act, 1987 (1989), 12 O.S.C.B. 3083	31-504	Applications for Registration	<i>CAME INTO FORCE SEPT 4/97; Amendments published for comment Jun 19/98</i>
OSCN	Final Report on Capital, Financial Reporting and Audit Requirements (1990), 13 O.S.C.B. 493			<i>Withdrawn Oct 6/00</i>
OSCN	Review of Short Form Prospectuses Qualifying Derivative Securities (1990), 13 O.S.C.B. 1559			<i>Withdrawn Oct 6/00</i>
OSCN	Revised Notice of Amendment or Change of Information Form of Dealers and Advisers (1990), 13 O.S.C.B. 2971		Ongoing Registration Reporting Requirements	<i>In the process of being reformulated as 33-109. NOTE: Previously published for comment as 33-503; Commission staff will not be proceeding with OSC Rule 33-503</i>
OSCN	Insider Reporting System (1991), 14 O.S.C.B. 260			<i>Withdrawn Oct 6/00</i>

Pre-Reformulation		Reformulation		
INSTRUMENT	TITLE	NUMBER	TITLE	STATUS AS AT SEPTEMBER 30, 2001
OSCN	Staff Investigation in Respect of Loan by Stelco Inc. to controlling shareholder of Clarus Corporation (1991), 14 O.S.C.B. 1807	62-701	Staff Investigation in Respect of Loan by Stelco Inc. to controlling shareholder of Clarus Corporation	<i>Retained and renumbered as OSC Staff Notice 62-701 on Apr 20/01</i>
OSCN	Debt-like Derivative Securities (1991), 14 O.S.C.B. 3316	91-701	Debt-Like Derivative Securities	<i>CAME INTO FORCE JUN 21/96</i>
OSCN	Disruption of Mail Service (1991), 14 O.S.C.B. 4113			<i>Withdrawn Oct 6/00</i>
OSCN	Market Balancing for a Proposed Multinational Offering (1991), 14 O.S.C.B. 5845			<i>Withdrawn Oct 6/00</i>
OSCN	Deficiency Letters in Respect of Salesperson Registration Applications (1992), 15 O.S.C.B. 6			<i>Withdrawn Oct 6/00</i>
OSCN	Report on Financial Statement Issues (1992), 15 O.S.C.B. 6	52-704	Report on Financial Statement Issues	<i>Retained and renumbered as OSC Staff Notice 52-704 on Apr 20/01</i>
OSCN	Inter-Dealer Bond Broker Systems (1992), 15 O.S.C.B. 1081			<i>Withdrawn Oct 6/00</i>
OSCN	Confidential Material Change Reports (1992), 15 O.S.C.B. 4555			<i>To be withdrawn</i>
OSCN	Report on Capital Adequacy Formula for SRO Members (1992), 15 O.S.C.B. 4750			<i>Withdrawn Oct 6/00</i>
OSCN	Annual Information Form and MD&A of Financial Condition and Results of Operation Re: Small Issuer Exemption (1992), 15 O.S.C.B. 4772	51-501	Annual Information Form and Management's Discussion and Analysis of Financial Condition and Results of Operation	<i>CAME INTO FORCE JAN 1/01</i>
OSCN	Office of the Chief Accountant MD&A Guide (1993), 16 O.S.C.B. 360	51-704	Office of the Chief Accountant - MD&A Guide	<i>Retained and renumbered as OSC Staff Notice 51-704 on Apr 20/01</i>
OSCN	Universal Registration - Extension of Date for Registration of Financial Intermediaries (1993), 16 O.S.C.B. 2818			<i>Withdrawn Oct 6/00</i>
OSCN	Pre-Marketing Activities in the Context of Bought Deals (1993), 16 O.S.C.B. 4812			<i>Under Consideration</i>
OSCN	The GAAP Report (1993), 16 O.S.C.B. 5117			<i>Under Consideration</i>
OSCN	Labour Sponsored Investment Funds (1993), 16 O.S.C.B. 5283	31-502	Proficiency Requirements for Registrants	<i>CAME INTO FORCE AUGUST 17/00</i>
		31-702	Ontario Securities Commission Designation of Courses Under Rule 31-502	<i>CAME INTO FORCE AUGUST 17/00</i>

Pre-Reformulation		Reformulation		
INSTRUMENT	TITLE	NUMBER	TITLE	STATUS AS AT SEPTEMBER 30, 2001
OSCN	Contemporaneous Private Placements and Public Offerings and Media Coverage Prior to the Commencement of the Waiting Period (1993), 16 O.S.C.B. 5776	47-702	Contemporaneous Private Placements and Public Offerings and Media Coverage Prior to the Commencement of the Waiting Period	<i>Retained and renumbered as OSC Staff Notice 47-702 on Apr 20/01</i>
OSCN	Misleading Disclosure (1994), 17 O.S.C.B. 5			<i>Withdrawn Oct 6/00</i>
OSCN	Cash Equivalents (1994), 17 O.S.C.B. 489			<i>Withdrawn Oct 6/00</i>
OSCN	Disclosure of Investigations (1990), 13 O.S.C.B. 598	41-501	General Prospectus Requirements	<i>CAME INTO FORCE DEC 31/00</i>
OSCN	Issuance of Receipts for Preliminary Prospectuses and (Final) Prospectuses (1994), 17 O.S.C.B. 1058	41-701	Issuance of Receipts for Preliminary Prospectus and Prospectus	<i>Published May 2/97</i>
OSCN	Executive Compensation Disclosure for Debt Only Issuers (1994), 17 O.S.C.B. 1059	51-702	Executive Compensation Disclosure for Debt-Only Issuers	<i>Retained and renumbered as OSC Staff Notice 51-702 on Apr 20/01</i>
OSCN	Securities Exchange Take-Over Bid Circulars - Reporting Issuer Status (1994), 17 O.S.C.B. 1402	45-501CP	Exempt Distributions	<i>CAME INTO FORCE DEC 22/98</i> <i>Amendments published Sep 14/01; delivered to Minister on Sep 12/01</i>
OSCN	Meetings with a Commissioner Regarding a Prospectus or an Application for Exemption or Registration (1994), 17 O.S.C.B. 3529	15-701	Meetings with a Commissioner Regarding a Prospectus or an Application for Exemption or Registration	<i>Retained and renumbered as OSC Staff Notice 15-701 on Apr 20/01</i>
OSCN	Electronic Registration Application Forms (1994), 17 O.S.C.B. 3529			<i>To be withdrawn pending adoption of proposed National Instrument 31-102</i>
OSCN	Residency Requirements for Advisers and Their Partners and Officers (1994), 17 O.S.C.B. 4206			<i>Under Consideration</i>
OSCN	Selective Review of Prospectuses and Other Documents (1994), 17 O.S.C.B. 4385		Selective Review of Prospectuses and Other Documents	<i>In the process of being reformulated as 43-703</i> <i>NOTE: In the July 13, 2001 edition of the OSC Bulletin, this instrument was noted as "to be withdrawn"</i>
OSCN	Solicitation Fee Claims (1994), 17 O.S.C.B. 4629			<i>Withdrawn Oct 6/00</i>

Pre-Reformulation		Reformulation		
INSTRUMENT	TITLE	NUMBER	TITLE	STATUS AS AT SEPTEMBER 30, 2001
OSCN	Expedited Review of Short Form Prospectuses and Renewal AIFs (1994), 17 O.S.C.B. 5210	43-201	Mutual Reliance Review System for Prospectus and Initial AIFs	<i>CAME INTO FORCE JAN 1/00</i>
OSCN	Electronic Registration Forms (1994), 17 O.S.C.B. 6073			<i>To be withdrawn pending adoption of proposed National Instrument 31-102</i>
OSCN	The Use of Securities Exchange Take-over Bid Circulars to Obtain Reporting Issuer Status (1995), 18 O.S.C.B. 1768	45-501CP	Exempt Distributions	<i>CAME INTO FORCE DEC 22/98</i> <i>Amendments published Sep 14/01; delivered to Minister on Sep 12/01</i>
OSCN	Courier/By Hand Deliveries (1995), 18 O.S.C.B. 2204			<i>Withdrawn Oct 6/00</i>
OSCN	Residency Requirements for Certain Non-Resident Salespersons and Supervisors (1995), 18 O.S.C.B. 3905			<i>Under Consideration</i>
OSCN	Registration Residency Requirements for Certain Canadian Dealers (1995), 18 O.S.C.B. 3908			<i>Under Consideration</i>
OSCN	Electronic Registration Forms (1995), 18 O.S.C.B. 5922			<i>To be withdrawn pending adoption of proposed National Instrument 31-102</i>
OSCN	Early Warning Information Publication (1996), 19 O.S.C.B. 1128			<i>Withdrawn Oct 6/00</i>
OSCN	Viatical Settlements (1996) 19 O.S.C.B. 4680			<i>To be retained</i>
PRINCIPLES OF REGULATION				
PR	Distribution of Mutual Funds by Financial Institutions (1988), 11 O.S.C.B. 4436	33-102	Regulation of Certain Registrant Activities	<i>CAME INTO FORCE AUG 1/01</i>
PR	Full Service and Discount Brokerage Activities in Branches of Related FIs (1988), 11 O.S.C.B. 4640	33-102	Regulation of Certain Registrant Activities	<i>CAME INTO FORCE AUG 1/01</i>
PR	Activities of Registrants Related to Financial Institutions (1990), 13 O.S.C.B. 1779	33-102	Regulation of Certain Registrant Activities	<i>CAME INTO FORCE AUG 1/01</i>
PR	Activities of Registrants Related to Financial Institutions (1990), 13 O.S.C.B. 1779	33-102	Regulation of Certain Registrant Activities	<i>CAME INTO FORCE AUG 1/01</i>
STAFF ACCOUNTING COMMUNIQUÉS				
SAC No. 1	(1989), 12 O.S.C.B. 2458		Financial Statements to be Filed According to GAAP	<i>To be retained as 52-701</i>

Pre-Reformulation		Reformulation		
INSTRUMENT	TITLE	NUMBER	TITLE	STATUS AS AT SEPTEMBER 30, 2001
SAC No. 1.1	(1993), 16 O.S.C.B. 1080		No Requirement to Provide Management Report Under CICA	<i>To be retained</i>
SAC No. 2	Financial Statement Presentation of Corporate Financing Activities		Financial Statement Presentation of Corporate Financing Activities	<i>To be retained as 52-703</i>
SAC No. 3	Auditors Report on Comparative Financial Statements			<i>To be withdrawn</i>
SAC No. 4	Interest Accrual on Delinquent Loans			<i>Withdrawn Apr 20/01</i>
SAC No. 5	Filing Extensions for Continuous Disclosure Financial Statements		Filing Extensions for Continuous Disclosure Financial Statements - Notice	<i>To be retained as 52-704</i>
SAC No. 6	Income Statement Presentation		Income Statement Presentation - Notice	<i>To be retained as 52-705</i>
SAC No. 7	Financial Disclosure in Information Circulars		Financial Disclosure in Information Circulars	<i>To be withdrawn</i>
SAC No. 8	Accounting Basis in an Initial Public Offering (I.P.O.)			<i>To be retained as notice</i>
SAC No. 9	Pro Forma Financial Statements (1994), 17 O.S.C.B. 5207			<i>Withdrawn Apr 20/01</i>
SAC No. 10	Restructuring and Similar Charges (Including Write Downs of Goodwill) (1994), 17 O.S.C.B. 6074		Restructuring and Similar Charges (Including Write Downs of Goodwill)	<i>To be retained as 52-707</i>
REGISTRATION SECTION CLARIFICATION NOTE				
REG Note 1	Supplement to Principles of Regulation Regarding Distribution of Mutual Funds Through Branches of Financial Institutions			<i>Under Consideration</i>
REG Note 2	Registration as an Investment Counsel or Portfolio Manager (IC/PM): Senior and Junior IC/PM Registration	31-502	Proficiency Requirements for Registrants	<i>CAME INTO FORCE AUGUST 17/00</i>
		31-702	Ontario Securities Commission Designation of Courses Under Rule 31-502	<i>CAME INTO FORCE AUGUST 17/00</i>
REG Note 3	Registration of Certain Employees or Independent Agents of Registered Dealers: Recommendations for Supervision of Qualifiers			<i>Under Consideration</i>
REG Note 4	New Procedures for Approving and Recording Amendments to Registration of Dealers and Advisers		Ongoing Registration Reporting Requirements	<i>In the process of being reformulated as 33-109. NOTE: Previously published for comment as 33-503; Commission staff will not be proceeding with OSC Rule 33-503)</i>

Pre-Reformulation		Reformulation		
INSTRUMENT	TITLE	NUMBER	TITLE	STATUS AS AT SEPTEMBER 30, 2001
INTERPRETATION NOTE				
Interpretation Note 1	Distribution of Securities Outside Ontario (1983), 6 O.S.C.B. 228	72-101	Distributions Outside of the Local Jurisdiction	<i>Published for comment Sep 8/00</i>
Interpretation Note 2	Prospectus Disclosure of Principal Holders (1983) O.S.C.B. 4536	41-501	General Prospectus Requirements	<i>CAME INTO FORCE DEC 31/00</i>

Item Key		
The third digit of each instrument represents the following: 1-National/Multilateral Instrument; 2-National/Multilateral Policy; 3-CSA Notice; 4-Concept Release; 5-Local Rule; 6-Local Policy; 7-Local Notice; 8-Implementing Instrument; 9-Miscellaneous		
NEW INSTRUMENTS		
NUMBER	TITLE	STATUS AS OF SEPTEMBER 30, 2001
11-201	Delivery of Documents by Electronic Means	<i>CAME INTO FORCE JAN 1/00</i>
11-301	Canadian Securities Administrators Strategic Plan 1999 - 2001	<i>Published Jul 2/99</i>
11-401	Delivery of Documents by Issuers Using Electronic Media Concept Proposal	<i>Published for comment Jun 13/97</i>
11-702	Notice re Table of Concordance	<i>Published Jan 2/98</i>
11-703	Table of Concordance for the Reformulation Project	<i>Published Jan 8/99</i>
11-704	Table of Concordance for the Reformulation Project	<i>Published Jan 14/00</i>
11-705	Table of Concordance for the Reformulation Project	<i>Published Jul 7/00</i>
11-706	Rescission of Staff Notices	<i>Published Oct 6/00</i>
11-707	Table of Concordance for the Reformulation Project	<i>Published Oct 6/00</i>
11-708	Table of Concordance for the Reformulation Project	<i>Published Jan 5/01</i>
11-709	Assignment of Notice Numbers	<i>Published Apr 20/01</i>
11-710	Withdrawal of Staff Accounting Communiques	<i>Published Apr 20/01</i>
11-711	Table of Concordance for the Reformulation Project	<i>Published Apr 6/01</i>
11-712	Withdrawal of CSA Notices	<i>Published Apr 20/01</i>
11-713	Table of Concordance for the Reformulation Project	<i>Published Jul 13/01</i>
11-901	Concept Proposal to Revise Schedule I (Fees) to be Regulation to the Securities Act (Ontario)	<i>Published for comment Mar 30/01</i>

Item Key

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NEW INSTRUMENTS

NUMBER	TITLE	STATUS AS OF SEPTEMBER 30, 2001
12-201	Mutual Reliance Review System for Exemptive Relief Applications	<i>CAME INTO FORCE JAN 1/00</i>
12-302	National Policy 12-201 Mutual Reliance Review System ("MRRS") for Exemptive Relief Applications ("ERA") ERA and Applications for Approval or Exemptions under National Policy No. 39 "Mutual Funds" ("NP 39")	<i>Published Nov 19/99</i>
12-303	Exemptive Relief Applications and Year End	<i>Published Sep 17/99</i>
12-304	Mutual Reliance Review System for Exemptive Relief Applications - Frequently Occurring Issues	<i>Published Aug 11/00</i>
12-305	Exemptive Relief Application and Year End	<i>Published Oct 27/00</i>
12-306	Exemptive Relief Application and Year End TO EXPIRE DECEMBER 31, 2001	<i>Published Sep 28/01</i>
12-401	National Application System Concept Proposal	<i>Published for comment Jan 30/98 (extended Jul 3/98)</i>
12-602	Deeming an Issuer from Certain Other Canadian Jurisdictions to be a Reporting Issuer in Ontario	<i>CAME INTO FORCE JUNE 27, 2001</i>
13-101	SEDAR (Electronic Filing) Rule	<i>CAME INTO FORCE DEC 17/96</i> <i>AMENDMENT CAME INTO FORCE AUG 27/99</i>
13-301	SEDAR - Use of Incorrect Document Formats	<i>Withdrawn Apr 20/01</i>
13-302	Notice of Changes to SEDAR Filer Software	<i>Withdrawn Apr 20/01</i>
13-303	SEDAR Operational Changes	<i>Withdrawn Apr 20/01</i>
13-304	Changes to SEDAR Filing Service Charges	<i>Withdrawn Apr 20/01</i>
13-305	SEDAR Changes for Mutual Reliance Review Systems for Prospectuses and AIFs	<i>Withdrawn Apr 20/01</i>
13-306	Guidance for SEDAR Users	<i>Published May 4/01</i>
13-307	Notice of Amendments to the SEDAR Filer Manual	<i>Published August 24/01</i>
13-401	Request for Changes, Additions or Improvements for a Revised SEDAR System	<i>Published Jun 30/00</i>

Item Key

The third digit of each instrument represents the following: 1-National/Multilateral Instrument; 2-National/Multilateral Policy; 3-CSA Notice; 4-Concept Release; 5-Local Rule; 6-Local Policy; 7-Local Notice; 8-Implementing Instrument; 9-Miscellaneous

NEW INSTRUMENTS

NUMBER	TITLE	STATUS AS OF SEPTEMBER 30, 2001
13-501	Payment of Fees	<i>CAME INTO FORCE MAY 5/98</i>
13-701	SEDAR Filings and Year 2000 Contingency Plans	<i>Published Dec 24/99</i>
13-702	Processing Prospectuses Before Year-End TO EXPIRE DECEMBER 31, 2001	<i>Published Sep 28/01</i>
14-101	Definitions	<i>CAME INTO FORCE APR 1/97</i> <i>AMENDMENT CAME INTO FORCE JUL 1/99</i> <i>Amendments published for comment Sep 28/01</i>
14-501	Definitions	<i>CAME INTO FORCE JUL 29/97</i> <i>AMENDMENT CAME INTO FORCE FEB 13/99</i>
21-101	Marketplace Operation	<i>Published Aug 17/01; delivered to Minister on Aug 17/01</i>
21-301	Canadian Venture Exchange	<i>Published Nov 26/99</i>
23-101	Trading Rules	<i>Published Aug 17/01; delivered to Minister on Aug 17/01</i>
23-501	Designation as Market Participant	<i>Published Aug 17/01; delivered to Minister on Aug 17/01</i>
23-502	Reported Market	<i>Published for comment Jul 28/00</i>
31-301	The Year 2000 Challenge	<i>Withdrawn Apr 20/01</i>
31-302	Securities Industry Contingency Planning	<i>Withdrawn Apr 20/01</i>
31-303	System Changes for Market Participants After Completion of Year 2000 Testing	<i>Withdrawn Apr 20/01</i>
31-304	Year 2000: Backup of Records	<i>Withdrawn Apr 20/01</i>

Item Key

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NEW INSTRUMENTS

NUMBER	TITLE	STATUS AS OF SEPTEMBER 30, 2001
31-401	Registration Forms Relating to the National Registration Database	<i>Published for comment Aug 4/00</i>
31-402	Registration Forms Relating to the National Registration Database	<i>Published for comment Jul 6/01</i>
31-505	Conditions of Registration	<i>CAME INTO FORCE DEC 23/98</i>
31-506	SRO Membership - Mutual Fund Dealers	<i>CAME INTO FORCE Apr 23/01</i>
31-507	SRO Membership Securities Dealers	<i>CAME INTO FORCE Dec 1/00</i>
31-508	Permanent Registration System	<i>Published for comment Jun 26/98 (replaced by 33-108)</i>
31-703	Year 2000	<i>Withdrawn Oct 6/00</i>
31-704	Application for Registration and Year 2000	<i>Withdrawn Oct 6/00</i>
32-501	Direct Purchase Plans	<i>To come into force Oct 4/01</i>
32-701	Processing of Equity and Fixed Income Trades by Financial Institutions and Mutual Fund Dealers	<i>Published Nov 12/99</i>
32-702	Applications for Exemption from the Time Limits on Completion of Courses and Previous Registrations	<i>Published Sep 28/01</i>
33-106	Year 2000 Preparation Reporting	<i>Revoked Jul 18/99</i>
33-107	Proficiency Requirements for Registrants Holding Themselves Out as Providing Financial Planning Advise	<i>Published Feb 16/01</i>
33-108	Permanent Registration	<i>Published for comment Mar 16/01</i>
33-301	National Instrument 33-106 - Year 2000 Preparation Reporting	<i>Withdrawn Apr 20/01</i>
33-302	National Instrument 33-106 Non-Compliant Registered Firms and Possible Terms and Conditions	<i>Withdrawn Apr 20/01</i>
33-303	Trust Accounts for Mutual Fund Securities	<i>Published May 14/99</i>
33-304	CSA Distributions Structures Committee Position Paper	<i>Published Aug 27/99</i>
33-305	Sale of Insurance Products by Dually Employed Salespersons	<i>Published Jan 7/00</i>
33-401	Canadian Capital Markets Association - T+1 White Paper	<i>Published for comment Apr 6/01</i>

Item Key

The third digit of each instrument represents the following: 1-National/Multilateral Instrument; 2-National/Multilateral Policy; 3-CSA Notice; 4-Concept Release; 5-Local Rule; 6-Local Policy; 7-Local Notice; 8-Implementing Instrument; 9-Miscellaneous

NEW INSTRUMENTS

NUMBER	TITLE	STATUS AS OF SEPTEMBER 30, 2001
33-505	Permanent Registration (Commodity Futures Act)	<i>Published for comment Mar 16/01</i>
33-704	List of Non-Complying Ontario Registered Firms Under National Instrument 33-106	<i>To be withdrawn</i>
33-705	List of Non-Complying Ontario Registered Firms Under National Instrument 33-106	<i>Withdrawn Oct 6/00</i>
33-706	List of Non-Complying Ontario Registered Firms Under National Instrument 33-106	<i>Withdrawn Oct 6/00</i>
33-707	List of Non-Complying Ontario Registered Firms Under National Instrument 33-106	<i>Withdrawn Oct 6/00</i>
33-708	List of Non-Complying Ontario Registered Firms Under National Instrument 33-106	<i>Withdrawn Oct 6/00</i>
33-709	List of Non-Complying Ontario Registered Firms Under National Instrument 33-106	<i>Withdrawn Oct 6/00</i>
33-710	List of Non-Compliant Ontario Registered Firms Under National Instrument 33-106	<i>Withdrawn Oct 6/00</i>
33-711	List of Non-Compliant Ontario Registered Firms Under National Instrument 33-106	<i>Withdrawn Oct 6/00</i>
33-712	Processing of Equity and Fixed Income Trades by Financial Institutions and Mutual Fund Dealers	<i>Published Nov 12/99</i>
33-713	Registrant Regulatory Filings	<i>Published May 19/00</i>
33-718	Networking Applications	<i>Published Jan 14/00</i>
33-719	Registration Renewal and Permanent Registration	<i>Published Jul 27/01</i>
35-101	Conditional Exemption from Registration for United States Broker - Dealers and Agents	<i>CAME INTO FORCE JAN 1/01</i>
35-301	Conditional Exemption from Registration for United States Broker-Dealers and Agents	<i>Published Jul 16/99</i>
41-301	The Year 2000 Challenge - Disclosure Issues	<i>Withdrawn Apr 20/01</i>
41-502	Prospectus Requirements for Mutual Funds	<i>CAME INTO FORCE Apr 5/01</i>
41-601	Capital Pool Companies	<i>Published for comment Aug 31/01</i>
42-301	Dual Reporting of Financial Information	<i>Published Feb 11/00</i>
43-301	CSA Mining Technical Advisory and Monitoring Committee	<i>Published Nov 17/00</i>

Item Key

The third digit of each instrument represents the following: 1-National/Multilateral Instrument; 2-National/Multilateral Policy; 3-CSA Notice; 4-Concept Release; 5-Local Rule; 6-Local Policy; 7-Local Notice; 8-Implementing Instrument; 9-Miscellaneous

NEW INSTRUMENTS

NUMBER	TITLE	STATUS AS OF SEPTEMBER 30, 2001
43-701	OSC Staff Notice Regarding National Instrument 43-101	<i>Published Feb 2/01</i>
43-702	Review Time Frames for "Equity Line" Short Form Prospectuses	<i>Published Jul 27/01</i>
44-401	CSA Notice and Request for Comment: Concept Proposal for an Integrated Disclosure System	<i>Published for comment Jan 28/00</i>
45-102	Resale of Securities	<i>Published Sep 14/01; delivered to Minister on Sep 12/01</i>
45-504	Prospectus Exemption for Distributions of Securities to Portfolio Advisers on Behalf of Fully Managed Accounts	<i>CAME INTO FORCE FEB 20/98</i>
45-701	Paragraph 35(2)14 of the Securities Act (Ontario)	<i>Published Nov 10/00</i>
46-201	Escrow for Initial Public Offerings	<i>Published for comment Sep 21/01</i>
46-301	Escrows - Proposal for Uniform Terms of Escrow Applicable to Initial Public Distributions	<i>Published Mar 17/00</i>
46-302	Consent to Amend Existing Escrow Agreements	<i>Published Jun 15/01</i>
47-201	The Use of the Internet and Other Electronic Means of Communication to Facilitate Trading in Securities	<i>CAME INTO FORCE JAN 1/00</i>
48-701	Notice of Lapse of SEC No-Action Letter regarding US Trading Rules and MJDS Transactions	<i>Published Jun 27/97</i>
51-201	Disclosure Standards	<i>Published for comment May 25/01</i>
51-301	Conversion of Corporate Issuers to Trusts	<i>Published Oct 10/97</i>
51-302	The Year 2000 Challenge - Disclosure Issues	<i>Withdrawn Apr 20/01</i>
51-303	CSA Follow-up of Inadequate Year 2000 Disclosure	<i>Withdrawn Apr 20/01</i>
51-401	CSA Notice and Request for Comment: Concept Proposal for an Integrated Disclosure System	<i>Published for comment Jan 28/00</i>
51-703	Implementation of Reporting Issuer Continuous Disclosure Review Program	<i>Published Jun 16/00</i>
51-705	Notice of Commission Intention to Allow Rule to Lapse: In the Matter of Certain Trades in Securities of Junior Resource Issuers	<i>Published Jun 15/01</i>

Item Key

The third digit of each instrument represents the following: 1-National/Multilateral Instrument; 2-National/Multilateral Policy; 3-CSA Notice; 4-Concept Release; 5-Local Rule; 6-Local Policy; 7-Local Notice; 8-Implementing Instrument; 9-Miscellaneous

NEW INSTRUMENTS

NUMBER	TITLE	STATUS AS OF SEPTEMBER 30, 2001
51-901	Report of the Toronto Stock Exchange Committee on Corporate Disclosure and Proposed Changes to the Definitions of "Material Fact" and "Material Change"	<i>Published Nov 7/97</i>
51-902	Proposal for a Statutory Civil Remedy for Investors in the Secondary Market	<i>Published for comment May 29/98</i>
52-302	Dual Reporting of Financial Information	<i>Published Feb 11/00</i>
52-401	Financial Reporting in Canada's Capital Markets	<i>Published for comment Mar 16/01</i>
52-501	Financial Statements	<i>CAME INTO FORCE DEC 12/00 (replaces s. 7 to 11 of the Regulation)</i>
52-708	Staff Accounting Communiqué - Initial Offering Costs of Closed-End Investment Funds	<i>Published Dec 5/97</i>
52-709	Income Statement Presentation of Goodwill Charges	<i>Published Feb 18/00</i>
53-301	CSA Notice - Task Force on Civil Remedies	<i>Published Sep 12/97</i>
53-302	Proposal for a Statutory Civil Remedy for Investors in the Secondary Market and Response to the Proposed Change to the Definitions of "Material Fact" and "Material Change"	<i>Published Nov 10/00</i>
53-701	Staff Report on Corporate Disclosure Survey	<i>Published July 28/00</i>
55-102	System for Electronic Data on Insiders	<i>Published Jul 20/01; delivered to Minister on Jul 16/01</i>
55-301	Filing Insider Reports By Facsimile and Exemption Where Minimal Connection to Jurisdiction	<i>Published Jan 24/97</i>
55-302	National Instrument 55-102 System for Electronic Disclosure by Insiders (SEDI) Implementation Date Postponed	<i>Published Nov 17/00</i>
55-501	Insider Report Form	<i>CAME INTO FORCE JAN 28/96</i>
55-502	Facsimile Filing or Delivery of Insider Reports	<i>CAME INTO FORCE MAY 5/98</i>
57-603	Defaults by Reporting Issuers in Complying with Financial Statement Filing Requirements	<i>CAME INTO FORCE APRIL 27/01</i>
61-301	Staff Guidance on the Practice of "Mini-Tenders"	<i>Published Dec 10/99</i>
61-701	Applications for Exemptive Relief under Rule 61-501	<i>Published June 30/00</i>

Item Key

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NEW INSTRUMENTS

NUMBER	TITLE	STATUS AS OF SEPTEMBER 30, 2001
62-101	Control Block Distribution Issues	<i>CAME INTO FORCE MAR 15/00</i>
62-102	Disclosure of Outstanding Share Data	<i>CAME INTO FORCE MAR 15/00</i>
62-103	The Early Warning System and Related Take-over Bid and Insider Reporting Issues	<i>CAME INTO FORCE MAR 15/00</i>
62-301	Implementation of the Zimmerman Amendments Governing the Conduct of Take-over and Issuer Bids	<i>Published Mar 2/01</i>
81-105	Mutual Fund Sales Practices	<i>CAME INTO FORCE MAY 1/98</i>
81-301	Mutual Fund Prospectus Disclosure System Concept Proposal	<i>Published for comment Jan 31/97</i>
81-302	Sales of Mutual Funds in Current RRSP Season	<i>Published Dec 12/97</i>
81-303	Year 2000 Disclosure for Mutual Funds	<i>Withdrawn Apr 20/01</i>
81-304	Trust Accounts for Mutual Fund Securities	<i>Published May 14/99</i>
81-305	National Policy 12-201 Mutual Reliance Review System ("MRRS") for Exemptive Relief Applications ("ERA") ERA and Applications for Approval or Exemptions under National Policy No. 39 "Mutual Funds" ("NP 39")	<i>Published Nov 19/99</i>
81-306	Disclosure by Mutual Funds of Changes in Calculation of Management Expense Ratio	<i>Published Apr 7/00</i>
81-401	Joint Forum of Financial Market Regulators' Discussion Paper Proposed Regulatory Principles for Capital Accumulation Plans	<i>Published for comment May 11/01</i>
81-704	Limited Powers of Attorney and Letters of Authorization Used in the Sale of Mutual Funds	<i>Published Aug 4/00</i>
91-504	Over-the-Counter Derivatives	<i>See Notice published Dec 1/00</i>
	Non-SRO Electronic Trading Systems and Market Fragmentation	<i>Published for comment May 16/97; replaced by 21-101 and 23-101</i>

1.1.3 Summary of Publications

SUMMARY OF PUBLICATIONS

PUBLICATION BY DATE PUBLISHED

<u>January 5, 2001</u>			
(2001) 24 OSCB	3	Short Notice - OSC Policy Statement 5.2 Junior National Resources Issues/Request for Comments	
(2001) 24 OSCB	28	Staff Notice 11-708 Policy Reformulation Project - Table of Concordance	
(2001) 24 OSCB	115	Ontario Securities Commission Policy 5.2 Junior Natural Resources/Request for Comments	
<u>January 12, 2001</u>			
(2001) 24 OSCB	191	Notice of Commission Decision Extending the Temporary Exemption Order of the Montreal Exchange from Recognition	
(2001) 24 OSCB	192	Short Notice - Minister of Finance Approval of National Instrument 43-101 Standards of Disclosure for Mineral Projects, Form 43-101F1 Technical Report, and Companion Policy 43-101CP	
(2001) 24 OSCB	303	National Instrument 43-101 Standards of Disclosure for Mineral Projects	
<u>January 19, 2001</u>			
(2001) 24 OSCB	375	Notice of Approval of MOU (Canadian Venture Exchange) - Notice of Minister of Finance Approval of Memorandum of Understanding between the Alberta Securities Commission, the British Columbia Securities Commission and the Ontario Securities Commission	
(2001) 24 OSCB	376	Short Notice - Notice of Commission Approval of Rule 41-502 Prospectus Requirements for Mutual Funds	
(2001) 24 OSCB	455	OSC Rule 41-502 and Companion Policy 41-502CP Prospectus Requirements for Mutual Funds	
<u>February 2, 2001</u>			
(2001) 24 OSCB	708	OSC Staff Notice 43-701 Regarding National Instrument 43-101	
<u>February 9, 2001</u>			
(2001) 24 OSCB	875	Short Notice - Rule 44-801 Implementing National Instrument 44-101	
(2001) 24 OSCB	937	Notice of Rule 44-801 Implementing National Instrument 44-101 Short Form Prospectus Distributions	
<u>February 16, 2001</u>			
(2001) 24 OSCB	1003	Short Notice - Approval of Amendments to National Instrument 81-102 and Companion Policy 81-102CP Mutual Funds and to National Instrument 81-101 and Companion Policy 81-101CP Mutual Fund Prospectus Disclosure and to Form 81-101F1 Contents of Simplified Prospectus and to Form 81-101F2 Contents of Annual Information Form	
(2001) 24 OSCB	1004	Short Notice - Rule 31-506 SRO Membership - Mutual Fund Dealers	
(2001) 24 OSCB	1005	Short Notice - Multilateral Instrument 33-107 Financial Planning Proficiency Rule	
(2001) 24 OSCB	1071	Notice of Rules and Policies - Amendments to National Instrument 81-102 and Companion Policy 81-102CP Mutual Funds and to National Instrument 81-101, Companion Policy 81-101CP Mutual Fund Prospectus Disclosure and to Form 81-101F1 Contents of Simplified Prospectus and to Form 81-101F2 Contents of Annual Information Form	
(2001) 24 OSCB	1107	Notice of Multilateral Instrument 33-107 Proficiency Requirements for Registrants Holding Themselves Out as Providing Financial Planning and Similar Advice	
(2001) 24 OSCB (Supp)		Rule 31-506 SRO Membership - Mutual Fund Dealers and Notice of Commission Recognition of the Mutual Fund Dealers Association of Canada as a Self-Regulatory Organization for Mutual Fund Dealers	
<u>February 23, 2001</u>			
(2001) 24 OSCB	1218	Short Notice - National Instrument 55-101 Exemption from Certain Insider Reporting Requirements	
(2001) 24 OSCB	1283	National Instrument 55-101 and 55-101CP Exemption from Certain Insider Reporting Requirements/Rescission of OSC Policy 10.1	
<u>March 2, 2001</u>			
(2001) 24 OSCB	1368	CSA Notice 62-301 Implementation of the Zimmerman Amendments Governing the Conduct of Take-over and Issuer Bids	

March 9, 2001

(2001) 24 OSCB 1483
(2001) 24 OSCB 1490
(2001) 24 OSCB 1491

OSC Staff Notice 52-701 Initial Report on Staff's Review of Revenue Recognition
TSE Policy 2-401 Supervision of Trading/Notice of Commission Approval
Short Notice - Proposed OSC Policy 12-602 Deeming an Issuer from Certain Other Canadian Jurisdictions to be a Reporting Issuer in Ontario/**Request for Comments**
Notice of Proposed Ontario Securities Commission Policy 12-602 Deeming an Issuer from Certain Other Canadian Jurisdictions to be a Reporting Issuer in Ontario/**Request for Comments**
TSE Policy 2-401 Supervision of Trading

March 16, 2001

(2001) 24 OSCB 1611
(2001) 24 OSCB 1612
(2001) 24 OSCB 1671
(2001) 24 OSCB 1675
(2001) 24 OSCB 1678

Short Notice - Multilateral Instrument 33-108 Permanent Registration and OSC Rule 33-505 (Commodity Futures Act) Permanent Registration/**Request for Comments**
CSA Discussion Paper 52-401 Financial Reporting in Canada's Capital Markets/**Request for Comments**
Proposed Multilateral Instrument 33-108 Permanent Registration/**Request for Comments**
Proposed OSC Rule 33-505 Permanent Registration (Commodity Futures Act)/**Request for Comments**
CSA Discussion Paper 52-401 Financial Reporting in Canada's Capital Markets/**Request for Comments**

March 30, 2001

(2001) 24 OSCB 1901
(2001) 24 OSCB 1971

Short Notice - Notice and Request for Comments 11-901 Concept Proposal to Revise Schedule 1 (Fees) to the Regulation to the *Securities Act* (Ontario)/**Request for Comments**
Notice and Request for Comments 11-901 Concept Proposal to Revise Schedule 1 (Fees) to the Regulation to the *Securities Act* (Ontario)/**Request for Comments**

April 6, 2001

(2001) 24 OSCB 2069
(2001) 24 OSCB 2071
(2001) 24 OSCB 2072
(2001) 24 OSCB 2078
(2001) 24 OSCB 2181
(2001) 24 OSCB 2183

CSA Request for Comments 33-401 Canadian Capital Markets Association - T + 1 White Paper/**Request for Comments**
Short Notice - Notice of Request for Comments for Proposed Rule 45-501 Exempt Distributions, Companion Policy 45-501CP, Forms 45-501F1, 45-501F2 and 45-501F3 Exempt Distributions & Rule 45-504 and Notice of Proposed Rescission of Rule 45-501 Exempt Distributions and Companion Policy 45-501CP, and Rule 45-504 Prospectus Exemption for Distributions of Securities to Portfolio Advisors on Behalf of Fully Managed Accounts/**Request for Comments**
Short Notice - Notice of Rescission of NP Statement No. 30 Processing of "Seasoned Prospectuses"
OSC Staff Notice 11-711 Policy Reformulation Project - Table of Concordance
Rescission of NP Statement No. 30 Processing of "Seasoned Prospectuses"
Notice of Request for Comments for Proposed Rule 45-501 Exempt Distributions, Companion Policy 45-501CP, Forms 45-501F1, 45-501F2 and 45-501F3 Exempt Distributions & Rule 45-504 and Notice of Proposed Rescission of Rule 45-501 Exempt Distributions and Companion Policy 45-501CP, and Rule 45-504 Prospectus Exemption for Distributions of Securities to Portfolio Advisors on Behalf of Fully Managed Accounts/**Request for Comments**

April 13, 2001

(2001) 24 OSCB 2289
(2001) 24 OSCB 2290
(2001) 24 OSCB 2290
(2001) 24 OSCB 2291
(2001) 24 OSCB 2333
(2001) 24 OSCB 2334

Notice of Minister of Finance Approval of Final Rule 41-502 Prospectus Requirements for Mutual Funds and Notice of Amendment to Regulation 1015 of the Revised Regulations of Ontario, 1990 Made Under The Securities Act in Connection with OSC Rule 41-502
Notice of Minister of Finance Approval of Amendment to National Instrument 81-102 and Companion Policy 81-102CP Mutual Funds and to National Instrument 81-101 and Companion Policy 81-101CP Mutual Fund Prospectus Disclosure and to Form 81-101F1 Contents of Simplified Prospectus and to form 81-101F2 Contents of Annual Information Form
Notice of Minister of Finance Approval of Final Rule Under The Securities Act Rule 31-506 SRO Membership - Mutual Fund Dealers
Notice of Minister of Finance Approval of Rule 44-801 Implementing National Instrument 44-101 Short form Prospectus Distribution
Ontario Securities Commission Rule 31-506 SRO Membership - Mutual Fund Dealers
Ontario Securities Commission Rule 44-801 Implementing National Instrument 44-101 Short Form Prospectus Distributions

April 20, 2001

- (2001) 24 OSCB 2403 Short Notice - Notice of Commission Approval of Multilateral Instrument 45-102 Resale of Securities, Form 45-102F1, Form 45-102F2, Form 45-102F3 and Companion Policy 45-102CP
- (2001) 24 OSCB 2404 Notice of Commission Approval of Amendments to Policies Assigning New Numbers to Policies
- (2001) 24 OSCB 2405 OSC Staff Notice 11-709 - Assignment of Notice Numbers
- (2001) 24 OSCB 2406 OSC Staff Notice 11-710 - Withdrawal of Staff Accounting Communiqués
- (2001) 24 OSCB 2408 OSC Staff Notice 11-712 - Withdrawal of CSA Notices
- (2001) 24 OSCB 2437 Short Notice - Notice of Minister of Finance Approval of Final Rule 41-502 Prospectus Requirements for Mutual Funds and Notice of Amendment to Regulation 1015 of the Revised Regulations of Ontario, 1990 Made Under The Securities Act in Connection with OSC Rule 41-502
- (2001) 24 OSCB 2471 OSC Notice - Multilateral Instrument 45-102, Forms 45-102F1, 45-102F2 and 45-102F3 and Companion Policy 45-102CP Resale of Securities
- (2001) 24 OSCB 2471 Notice of Amendment to OSC Policy Under The Securities Act - OSC Policy 2.2 Public Availability of Material Filed Under the Securities Act
- (2001) 24 OSCB 2471 Notice of Amendment to OSC Policy Under The Securities Act - OSC Policy 2.6 Applications for Exemptions from Preparation and Mailing of Interim Financial Statements, Annual Financial Statements and Proxy Solicitation Material
- (2001) 24 OSCB 2472 Notice of Amendment to OSC Policy Under The Securities Act - OSC Policy 4.2 Suspension of Registration - Criminal Charges Pending
- (2001) 24 OSCB 2472 Notice of Amendment to OSC Policy Under The Securities Act - OSC Policy 4.6 Registration - Declaration of Personal Bankruptcy
- (2001) 24 OSCB 2473 Notice of Amendment to OSC Policy Under The Securities Act - OSC Policy 7.4 Business and Asset Combinations
- (2001) 24 OSCB 2473 Notice of Amendment to OSC Policy Under The Securities Act - OSC Policy 7.5 Reciprocal Filings
- (2001) 24 OSCB 2474 Notice of Amendment to OSC Policy Under The Securities Act - OSC Policy 9.3 Take-Over Bids - Miscellaneous Guidelines
- (2001) 24 OSCB 2474 OSC Rule 41-502 and 41-502CP Prospectus Requirements for Mutual Funds

April 27, 2001

- (2001) 24 OSCB 2597 Short Notice - Notice of Commission Approval of National Instrument 45-101 Rights Offerings
- (2001) 24 OSCB 2597 Notice of Amendments to National Instrument 81-102 and Companion Policy 81-102CP Mutual Funds and to National Instrument 81-101 and Companion Policy 81-101CP Mutual Fund Prospectus Disclosure, and Form 81-101F1 Contents of Simplified Prospectus and Form 81-101F2 Contents of Annual Information Form
- (2001) 24 OSCB 2598 Short Notice - Notice of Ontario Securities Commission Policy 57-603 Defaults by Reporting Issuers in Complying with Financial Statement Filing Requirements
- (2001) 24 OSCB 2598 Notice for Multilateral Instrument 33-107 Proficiency Requirements for Registrants Holding Themselves out as Providing Financial Planning and Similar Advice - Notice of Request by Minister of Finance for Further Consideration
- (2001) 24 OSCB 2667 Notice of National Instrument 45-101 Rights Offerings, Companion Policy 45-101CP and Form 45-101F and Rescission of Certain Policies
- (2001) 24 OSCB 2680 Amendments to National Instrument 81-102 and Companion Policy 81-102CP Mutual Funds and to National Instrument 81-101 and Companion Policy 81-101CP Mutual Fund Prospectus Disclosure and to Form 81-101F1 Contents of Simplified Prospectus and to Form 81-101F2 Contents of Annual Information Form
- (2001) 24 OSCB 2700 Notice of Ontario Securities Commission Policy 57-603 Defaults by Reporting Issuers in Complying with Financial Statement Filing Requirements

May 4, 2001

- (2001) 24 OSCB 2775 Notice of Commission Approval The Toronto Stock Exchange By-law No. 703 Introduction of Time Priority
- (2001) 24 OSCB 2777 CSA Staff Notice 13-306 Guidance for SEDAR Users

May 11, 2001

- (2001) 24 OSCB 2989 Notice of Minister of Finance Approval of Final Rule 55-101 Exemption from Certain Insider Reporting Requirements and Notice of Amendment to Regulation 1015 of the Revised Regulations of Ontario, 1990 Made Under The Securities Act in Connection with National Instrument 55-101
- (2001) 24 OSCB 2989 Short Notice - National Instrument 33-102 Regulation of Certain Registrant Activities
- (2001) 24 OSCB 2990 CSA Request for Comments 81-401 - Joint Forum of Financial Market Regulators Discussion Paper Proposed Regulatory Principles for Capital Accumulation Plans/Request for Comments

- (2001) 24 OSCB 3025 National Instrument 55-101 and Companion Policy 55-101CP Exemption from Certain Insider Reporting Requirements
- (2001) 24 OSCB 3030 National Instrument 33-102 Regulation of Certain Registrant Activities
- (2001) 24 OSCB 3047 CSA Request for Comments 81-401 Joint Forum of Financial Market Regulators Discussion Paper Proposed Regulatory Principles for Capital Accumulation Plans/Request for Comments
- May 18, 2001
- (2001) 24 OSCB 3133 Notice of Withdrawal of Multilateral Instrument 45-102 Resale of Securities
- May 25, 2001
- (2001) 24 OSCB 3265 Short Notice - Notice of Proposed National Policy 51-201 Disclosure Standards and Proposed Rescission of National Policy 40 Timely Disclosure
- (2001) 24 OSCB 3301 Notice of Proposed National Policy 51-201 Disclosure Standards and Proposed Rescission of National Policy 40 Timely Disclosure
- June 15, 2001
- (2001) 24 OSCB 3582 Notice of Commission Approval - Amendment to TSE Rule 4-501 The In-House Client Priority Rule and Enactment of Policy 4-501
- (2001) 24 OSCB 3583 CSA Notice 46-302 Consent to Amend Existing Escrow Agreements
- (2001) 24 OSCB 3584 OSC Staff Notice 51-705 Notice of Commission Intention to Allow Rule to Lapse: In the Matter of Certain Trades in Securities of Junior Resource Issuers
- June 22, 2001
- (2001) 24 OSCB 3739 Short Notice - Notice of Request for Comments Proposed Multilateral Instrument 33-105 and Companion Policy 33-105CP Underwriting Conflicts
- (2001) 24 OSCB 3805 Notice of Proposed Changes to Proposed Multilateral Instrument 33-105 and Companion Policy 33-105CP Underwriting Conflicts/Request for Comments
- June 29, 2001
- (2001) 24 OSCB 3884 Short Notice - Notice of Ontario Securities Commission Policy 12-602 Deeming a Reporting Issuer in Certain Other Canadian Jurisdictions to be a Reporting Issuer in Ontario
- (2001) 24 OSCB 3913 Notice of Ontario Securities Commission Policy 12-602 Deeming a Reporting Issuer in Certain Other Canadian Jurisdictions to be a Reporting Issuer in Ontario
- July 6, 2001
- (2001) 24 OSCB 3981 Short Notice - CSA Request for Comments 31-402 Registration Forms Relating to the National Registration Database/Request for Comments
- (2001) 24 OSCB 4039 CSA Request for Comments 31-402 Registration Forms Relating to the National Registration Database/Request for Comments
- July 13, 2001
- (2001) 24 OSCB 4165 Short Notice - Notice of Request for Comments Proposed Rule 45-501 Exempt Distributions, Companion Policy 45-501CP and Forms 45-501F1, 45-501F2 and 45-501F3 and Notice of Proposed Rescission of Rule 45-501 Exempt Distributions and Companion Policy 45-501CP, and Rule 45-504 Prospectus Exemption for Distributions of Securities to Portfolio Advisors on Behalf of Fully Managed Accounts
- (2001) 24 OSCB 4177 OSC Staff Notice 11-713 - Policy Reformulation Project - Table of Concordance
- (2001) 24 OSCB 4247 Notice of Proposed Rule, Policy and Forms under the Securities Act Rule 45-501 Exempt Distributions, Companion Policy 45-501CP and Forms 45-501F1, 45-501F2 and 45-501F3 and Rescission of Existing Rule 45-501 and Companion Policy 45-501CP and Rule 45-504 Prospectus Exemption for Distributions of Securities to Portfolio Advisors on Behalf of Fully Managed Accounts/Request for Comments
- July 20, 2001
- (2001) 24 OSCB 4335 Notice of Minister of Finance Approval of National Instrument 45-101 Rights Offerings
- (2001) 24 OSCB 4336 Notice of Final Rule under the Securities Act National Instrument 33-102 Regulation of Certain Registrant Activities
- (2001) 24 OSCB 4336 Short Notice - National Instrument 55-102 System for Electronic Disclosure by Insiders (SEDI)
- (2001) 24 OSCB 4397 National Instrument 45-101 Rights Offerings, Form 45-101F Information Required in a Rights Offering Circular and Companion Policy 45-101CP
- (2001) 24 OSCB 4409 National Instrument 33-102 Regulation of Certain Registrant Activities and Companion Policy 33-102CP

- (2001) 24 OSCB 4414 Notice - National Instrument 55-102, Forms 55-102F1, 55-102F2, 55-102F3, 55-102F4, 55-102F5 and 55-102F6, Companion Policy 55-102CP System for Electronic Disclosure by Insiders (SEDI)
- July 27, 2001
(2001) 24 OSCB 4514 OSC Staff Notice 33-719 Registration Renewal & Permanent Registration
(2001) 24 OSCB 4514 OSC Staff Notice 43-702 Review Time Frames for "Equity Line" Short Form Prospectuses
- August 3, 2001
(2001) 24 OSCB 4689 Short Notice - Notice of Commission Approval of Rule 32-501 Direct Purchase Plans
(2001) 24 OSCB 4743 Notice of Rule 32-501 Direct Purchase Plans
- August 10, 2001
(2001) 24 OSCB 4823 Notice of Commission Approval of The Toronto Stock Exchange Inc. Acquisition of Canadian Venture Exchange Inc.
(2001) 24 OSCB 4860 Notice of Commission Approval - Investment Dealers Association of Canada By-law Amendment, Late Filing Fees for Reports
- August 17, 2001
(2001) 24 OSCB 4967 Short Notice - Notice of National Instrument 21-101 Marketplace Operation, Companion Policy 21-101CP and Forms 21-101F1, 21-101F2, 21-101F3, 21-101F4, 21-101F5 and 21-101F6 and Notice of National Instrument 23-101 Trading Rules and Companion Policy 23-101CP and Notice of Ontario Securities Commission Rule 23-501 Designation as Market Participant
(2001) 24 OSCB 4968 Notice of Commission Approval of Agreement between the Ontario Securities Commission, the Alberta Securities Commission, the British Columbia Securities Commission, the Saskatchewan Securities Commission, the Nova Scotia Securities Commission, the Commission des valeurs mobilières du Québec and the Investment Dealers Association re: Coordinated Oversight Plan of the Investment Dealers Association by the Canadian Securities Administrators and Monthly Reporting Requirements
(2001) 24 OSCB 5013 The Toronto Stock Exchange Inc. - Notice of Consequential Amendments Relating to Time Priority
(2001) 24 OSCB (Supp) Notice of National Instrument 21-101 Marketplace Operation, Companion Policy 21-101CP and Forms 21-101F1, 21-101F2, 21-101F3, 21-101F4, 21-101F5 and 21-101F6 and Notice of National Instrument 23-101 Trading Rules and Companion Policy 23-101CP and Notice of Ontario Securities Commission Rule 23-501 Designation as Market Participant
- August 24, 2001
(2001) 24 OSCB 5112 CSA Staff Notice 13-307 - Amendments to SEDAR Filer Manual
(2001) 24 OSCB 5113 Short Notice - Notice of Proposed Amendment to OSC Rule 61-501 Under the Securities Act - Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions (Canadian Venture Exchange Issuers)/Request for Comments
(2001) 24 OSCB 5179 Notice of Proposed Amendment to Rule 61-501 Under the Securities Act - Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions (Canadian Venture Exchange Issuers)/Request for Comments
- August 31, 2001
(2001) 24 OSCB 5258 Short Notice - Proposed Policy 41-601 Capital Pool Companies/Request for Comments
(2001) 24 OSCB 5317 Notice of Proposed Ontario Securities Commission Policy 41-601 Capital Pool Companies/Request for Comments
- September 7, 2001
(2001) 24 OSCB 5386 The Toronto Stock Exchange Rule 1-101 Definitions - Notice of Commission Approval
(2001) 24 OSCB 5477 The Toronto Stock Exchange - Amendment to Rule No. 1-101
- September 14, 2001
(2001) 24 OSCB 5485 Short Notice - Proposed Amendments to OSC Rule 45-502 and OSC Rule 45-503 and Proposed Rescission of OSC Rule 72-501/Request for Comments
(2001) 24 OSCB 5486 Short Notice - Notice of Commission Approval of Multilateral Instrument 45-102 Resale of Securities, Form 45-102F1, Form 45-102F2, Form 45-102F3 and Companion Policy 45-102CP
(2001) 24 OSCB 5486 Short Notice - Notice of Commission Approval of OSC Rule 45-501 Exempt Distributions, Form 45-501F1, Form 45-501F2, Form 45-501F3 and Companion Policy 45-501CP and Notice of Rescission of Rule 45-501 Exempt Distributions and Companion Policy 45-501CP, and Rule 45-504 Prospectus Exemption for Distributions of Securities to Portfolio Advisers on Behalf of Fully Managed Accounts

- (2001) 24 OSCB 5511 Ontario Securities Commission Notice - Multilateral Instrument **45-102**, Forms **45-102F1**, **45-102F2** and **45-102F3** and Companion Policy **45-102CP** Resale of Securities
- (2001) 24 OSCB 5544 Notice of Rule, Policy and Forms under the Securities Act - Rule **45-501** Exempt Distributions, Companion Policy **45-501CP** and Form **45-501F1**, Form **45-501F2**, Form **45-501F3** and Rescission of Existing Rule **45-501** and Companion Policy **45-501CP** and Rule **45-504** Prospectus Exemption for Distributions of Securities to Portfolio Advisers on Behalf of Fully Managed Accounts
- (2001) 24 OSCB 5567 Notice of Proposed Amendments to Rule **45-502** Dividend or Interest Reinvestment and Stock Dividend Plans and Rule **45-503** Trades to Employees, Executives and Consultants and Proposed Rescission of Rule **72-501** Prospectus Exemption for First Trade Over a Market Outside Ontario/**Request for Comments**
- September 21, 2001
- (2001) 24 OSCB 5632 Short Notice - Notice of Proposed National Policy **46-201** Escrow for Initial Public Offerings and Form **46-201F** Escrow Agreement and Rescission of Ontario Securities Commission Policy **5.9/Request for Comments**
- (2001) 24 OSCB 5677 Notice - Proposed National Policy **46-201** Escrow for Initial Public Offerings and Form **46-201F** Escrow Agreement and Rescission of Ontario Securities Commission Policy **5.9/Request for Comments**
- September 28, 2001
- (2001) 24 OSCB 5762 Short Notice - Notice of Request for Comments Proposed Amendments to National Instrument **14-101** Definitions/**Request for Comments**
- (2001) 24 OSCB 5762 Ontario Securities Commission Staff Notice **32-702** Applications for Exemption from the Time Limits on Completion of Courses and Previous Registrations
- (2001) 24 OSCB 5763 Canadian Securities Administrators' Staff Notice **12-306** Exemptive Relief Applications and Year End
- (2001) 24 OSCB 5764 Ontario Securities Commission Staff Notice **13-702** Processing Prospectuses Before Year End
- (2001) 24 OSCB 5825 Notice of Proposed Amendments to National Instrument **14-101** Definitions/**Request for Comments**

A.

NOTICES

Local Notices

January 5, 2001

(2001) 24 OSCB 28

Staff Notice 11-708 – Policy Reformulation Project - Table of Concordance

February 2, 2001

(2001) 24 OSCB 708

OSC Staff Notice 43-701 Regarding National Instrument 43-101

March 9, 2001

(2001) 24 OSCB 1483

OSC Staff Notice 52-701 Initial Report on Staff's Review of Revenue Recognition

April 6, 2001

(2001) 24 OSCB 2078

OSC Staff Notice 11-711 - Policy Reformulation Project - Table of Concordance

April 20, 2001

(2001) 24 OSCB 2405

OSC Staff Notice 11-709 - Assignment of Notice Numbers

(2001) 24 OSCB 2406

OSC Staff Notice 11-710 - Withdrawal of Staff Accounting Communiqués

(2001) 24 OSCB 2406

OSC Staff Notice 11-712 - Withdrawal of CSA Notices

June 15, 2001

(2001) 24 OSCB 3584

OSC Staff Notice 51-705 Notice of Commission Intention to Allow Rule to Lapse: In the Matter of Certain Trades in Securities of Junior Resource Issuers

July 13, 2001

(2001) 24 OSCB 4177

OSC Staff Notice 11-713 - Policy Reformulation Project - Table of Concordance

July 27, 2001

(2001) 24 OSCB 4514

OSC Staff Notice 33-719 Registration Renewal & Permanent Registration

(2001) 24 OSCB 4514

OSC Staff Notice 43-702 Review Time Frames for "Equity Line" Short Form Prospectuses

September 28, 2001

(2001) 24 OSCB 5762

Ontario Securities Commission Staff Notice 32-702 Applications for Exemption from the Time Limits on Completion of Courses and Previous Registrations

(2001) 24 OSCB 5764

Ontario Securities Commission Staff Notice 13-702 Processing Prospectuses Before Year End

Canadian Securities Administrators' Notices

March 2, 2001

(2001) 24 OSCB 1368

CSA Notice 62-301 Implementation of the Zimmerman Amendments Governing the Conduct of Take-over and Issuer Bids

March 16, 2001

(2001) 24 OSCB 1612

CSA Discussion Paper 52-401 Financial Reporting in Canada's Capital Markets/Request for Comments

(2001) 24 OSCB 1678

CSA Discussion Paper 52-401 Financial Reporting in Canada's Capital Markets/Request for Comments

April 6, 2001

(2001) 24 OSCB 2069

CSA Request for Comments 33-401 Canadian Capital Markets Association - T + 1 White Paper/Request for Comments

May 4, 2001

(2001) 24 OSCB 2777

CSA Staff Notice 13-306 Guidance for SEDAR Users

May 11, 2001

(2001) 24 OSCB 2990

CSA Request for Comments 81-401 Joint Forum of Financial Market Regulators Discussion Paper Proposed Regulatory Principles for Capital Accumulation Plans/Request for Comments

(2001) 24 OSCB 3047

CSA Request for Comments 81-401 Joint Forum of Financial Market Regulators Discussion Paper Proposed Regulatory Principles for Capital Accumulation Plans/Request for Comments

June 15, 2001

(2001) 24 OSCB 3583

CSA Notice 46-302 Consent to Amend Existing Escrow Agreements

July 6, 2001

(2001) 24 OSCB 3981

Short Notice - CSA Request for Comments 31-402 Registration Forms Relating to the National Registration Database/Request for Comments

(2001) 24 OSCB 4039

CSA Request for Comments 31-402 Registration Forms Relating to the National Registration Database/Request for Comments

August 24, 2001

(2001) 24 OSCB 5112

CSA Staff Notice 13-307 - Amendments to SEDAR Filer Manual

September 28, 2001

(2001) 24 OSCB 5763

Canadian Securities Administrators' Staff Notice 12-306 Exemptive Relief Applications and Year End

B.

MEMORANDA OF UNDERSTANDING

January 19, 2001

(2001) 24 OSCB 375

Notice of Approval of MOU (Canadian Venture Exchange) - Notice of Minister of Finance Approval of Memorandum of Understanding between the Alberta Securities Commission, the British Columbia Securities Commission and the Ontario Securities Commission

August 17, 2001

(2001) 24 OSCB 4968

Notice of Commission Approval of Agreement between the Ontario Securities Commission, the Alberta Securities Commission, the British Columbia Securities Commission, the Saskatchewan Securities Commission, the Nova Scotia Securities Commission, the Commission des valeurs mobilières du Québec and the Investment Dealers Association re: Coordinated Oversight Plan of the Investment Dealers Association by the Canadian Securities Administrators and Monthly Reporting Requirements

C.

RESCISSION OF POLICY STATEMENTS

Rescission of Ontario Securities Commission Policy Statement 5.9

September 21, 2001

(2001) 24 OSCB 5632

Short Notice - Notice of Proposed National Policy 46-201 Escrow for Initial Public Offerings and Form 46-201F Escrow Agreement and Rescission of Ontario Securities Commission Policy 5.9/Request for Comments

(2001) 24 OSCB 5677

Notice - Proposed National Policy 46-201 Escrow for Initial Public Offerings and Form 46-201F Escrow Agreement and Rescission of Ontario Securities Commission Policy 5.9/Request for Comments

Rescission of Ontario Securities Commission Policy Statement 6.2 and Uniform Act Policy 2-05

April 27, 2001

(2001) 24 OSCB 2667

Notice of National Instrument 45-101 Rights Offerings, Companion Policy 45-101CP and Form 45-101F and Rescission of Certain Policies

Rescission of Ontario Securities Commission Policy Statement 10.1

February 23, 2001

(2001) 24 OSCB 1283

National Instrument 55-101 and 55-101CP Exemption from Certain Insider Reporting Requirements/Rescission of OSC Policy 10.1

Rescission of National Policy Statement No. 30

April 6, 2001

(2001) 24 OSCB 2072

Short Notice - Notice of Rescission of NP Statement No. 30 Processing of "Seasoned Prospectuses"

(2001) 24 OSCB 2181

Rescission of NP Statement No. 30 Processing of "Seasoned Prospectuses"

D.

PROCEDURE AND RELATED MATTERS

14-101 Definitions

September 28, 2001

(2001) 24 OSCB 5762

Short Notice - Notice of Request for Comments Proposed Amendments to National Instrument 14-101 Definitions/Request for Comments

(2001) 24 OSCB 5825

Notice of Proposed Amendments to National Instrument 14-101 Definitions/Request for Comments

12-602 Deeming an Issuer from Certain Other Canadian Jurisdictions to be a Reporting Issuer in Ontario

March 9, 2001

(2001) 24 OSCB 1491

Short Notice - Proposed OSC Policy 12-602 Deeming an Issuer from Certain Other Canadian Jurisdictions to be a Reporting Issuer in Ontario/Request for Comments

(2004) 24 OSCB 1531

Notice of Proposed Ontario Securities Commission Policy 12-602 Deeming an Issuer from Certain Other Canadian Jurisdictions to be a Reporting Issuer in Ontario/Request for Comments

June 29, 2001

(2001) 24 OSCB 3884

Short Notice - Notice of Ontario Securities Commission Policy 12-602 Deeming a Reporting Issuer in Certain Other Canadian Jurisdictions to be a Reporting Issuer in Ontario

(2001) 24 OSCB 3913

Notice of Ontario Securities Commission Policy 12-602 Deeming a Reporting Issuer in Certain Other Canadian Jurisdictions to be a Reporting Issuer in Ontario

13-601 Public Availability of Material Filed Under the Securities Act

April 20, 2001

(2001) 24 OSCB 2404

Notice of Commission Approval of Amendments to Policies Assigning New Numbers to Policies

(2001) 24 OSCB 2471

Notice of Amendment to OSC Policy Under The Securities Act - OSC Policy 2.2 Public Availability of Material Filed Under the Securities Act

E.

CERTAIN CAPITAL MARKET PARTICIPANTS

21-101 21-101CP 21-101F1 21-101F2 21-101F3 21-101F4 21-101F5 21-101F6 Marketplace Operation

August 17, 2001

(2001) 24 OSCB 4967

Short Notice - Notice of National Instrument 21-101 Marketplace Operation, Companion Policy 21-101CP and Forms 21-101F1, 21-101F2, 21-101F3, 21-101F4, 21-101F5 and 21-101F6 and Notice of National Instrument 23-101 Trading Rules and Companion Policy 23-101CP and Notice of Ontario Securities Commission Rule 23-501 Designation as Market Participant

(2001) 24 OSCB (Supp)

Notice of National Instrument 21-101 Marketplace Operation, Companion Policy 21-101CP and Forms 21-101F1, 21-101F2, 21-101F3, 21-101F4, 21-101F5 and 21-101F6 and Notice of National Instrument 23-101 Trading Rules and Companion Policy 23-101CP and Notice of Ontario Securities Commission Rule 23-501 Designation as Market Participant

23-101 23-101CP Trading Rules

August 17, 2001

(2001) 24 OSCB 4967

Short Notice - Notice of National Instrument 21-101 Marketplace Operation, Companion Policy 21-101CP and Forms 21-101F1, 21-101F2, 21-101F3, 21-101F4, 21-101F5 and 21-101F6 and Notice of National Instrument 23-101 Trading Rules and Companion Policy 23-101CP and Notice of Ontario Securities Commission Rule 23-501 Designation as Market Participant

(2001) 24 OSCB (Supp)

Notice of National Instrument 21-101 Marketplace Operation, Companion Policy 21-101CP and Forms 21-101F1, 21-101F2, 21-101F3, 21-101F4, 21-101F5 and 21-101F6 and Notice of National Instrument 23-101 Trading Rules and Companion Policy 23-101CP and Notice of Ontario Securities Commission Rule 23-501 Designation as Market Participant

23-501 Designation as Market Participant

August 17, 2001

(2001) 24 OSCB 4967

Short Notice - Notice of National Instrument 21-101 Marketplace Operation, Companion Policy 21-101CP and Forms 21-101F1, 21-101F2, 21-101F3, 21-101F4, 21-101F5 and 21-101F6 and Notice of National Instrument 23-101 Trading Rules and Companion Policy 23-101CP and Notice of Ontario Securities Commission Rule 23-501 Designation as Market Participant

(2001) 24 OSCB (Supp)

Notice of National Instrument 21-101 Marketplace Operation, Companion Policy 21-101CP and Forms 21-101F1, 21-101F2, 21-101F3, 21-101F4, 21-101F5 and 21-101F6 and Notice of National Instrument 23-101 Trading Rules and Companion Policy 23-101CP and Notice of Ontario Securities Commission Rule 23-501 Designation as Market Participant

F.

REGISTRATION REQUIREMENTS AND RELATED MATTERS

31-506 SRO Membership - Mutual Fund Dealers

February 16, 2001

(2001) 24 OSCB 1004

(2001) 24 OSCB (Supp)

Short Notice of Rule 31-506 SRO Membership - Mutual Fund Dealers
Rule 31-506 SRO Membership - Mutual Fund Dealers and Notice of Commission Recognition of the Mutual Fund Dealers Association of Canada as a Self-Regulatory Organization for Mutual Fund Dealers

April 13, 2001

(2001) 24 OSCB 2290

(2001) 24 OSCB 2333

Notice of Minister of Finance Approval of Final Rule Under The Securities Act Rule 31-506 SRO Membership - Mutual Fund Dealers
Ontario Securities Commission Rule 31-506 SRO Membership - Mutual Fund Dealers

32-501 Direct Purchase Plans

August 3, 2001

(2001) 24 OSCB 4689

(2001) 24 OSCB 4743

Short Notice - Notice of Commission Approval of Rule 32-501 Direct Purchase Plans
Notice of Rule 32-501 Direct Purchase Plans

33-102 Regulation of Certain Registrant Activities

May 11, 2001

(2001) 24 OSCB 2989

(2001) 24 OSCB 3030

Short Notice - National Instrument 33-102 Regulation of Certain Registrant Activities
National Instrument 33-102 Regulation of Certain Registrant Activities

July 20, 2001

(2001) 24 OSCB 4336

(2001) 24 OSCB 4409

Notice of Final Rule under the Securities Act National Instrument 33-102 Regulation of Certain Registrant Activities
National Instrument 33-102 Regulation of Certain Registrant Activities and Companion Policy 33-102CP

33-105 33-105CP Underwriting Conflicts

June 22, 2001

(2001) 24 OSCB 3739

(2001) 24 OSCB 3805

Short Notice - Notice of Request for Comments Proposed Multilateral Instrument 33-105 and Companion Policy 33-105CP Underwriting Conflicts
Notice of Proposed Changes to Proposed Multilateral Instrument 33-105 and Companion Policy 33-105CP Underwriting Conflicts/Request for Comments

33-107 Proficiency Requirements for Registrants Holding Themselves Out as Providing Financial Planning and Similar Advice

February 16, 2001

(2001) 24 OSCB 1005

(2001) 24 OSCB 1107

Short Notice of Multilateral Instrument 33-107 Financial Planning Proficiency Rule
Notice of Multilateral Instrument 33-107 Proficiency Requirements for Registrants Holding Themselves Out as Providing Financial Planning and Similar Advice

April 27, 2001

(2001) 24 OSCB 2598

Notice for Multilateral Instrument 33-107 Proficiency Requirements for Registrants Holding Themselves out as Providing Financial Planning and Similar Advice - Notice of Request by Minister of Finance for Further Consideration

33-108 Permanent Registration (under the Securities Act)

March 16, 2001

(2001) 24 OSCB 1611

Short Notice - Multilateral Instrument 33-108 Permanent Registration and OSC Rule 33-505 (Commodity Futures Act) Permanent Registration/Request for Comments

(2001) 24 OSCB 1671

Proposed Multilateral Instrument 33-108 Permanent Registration/Request for Comments

33-505 Permanent Registration (under the Commodity Futures Act)

March 16, 2001

(2001) 24 OSCB 1611

Short Notice - Multilateral Instrument 33-108 Permanent Registration and OSC Rule 33-505 (Commodity Futures Act) Permanent Registration/Request for Comments

(2001) 24 OSCB 1675

Proposed OSC Rule 33-505 Permanent Registration (Commodity Futures Act)/Request for Comments

34-601 Registration - Declaration of Personal Bankruptcy

April 20, 2001

(2001) 24 OSCB 2404

Notice of Commission Approval of Amendments to Policies Assigning New Numbers to Policies

(2001) 24 OSCB 2472

Notice of Amendment to OSC Policy Under The Securities Act - OSC Policy 4.6 Registration - Declaration of Personal Bankruptcy

34-602 Suspension of Registration - Criminal Charges Pending

April 20, 2001

(2001) 24 OSCB 2404

Notice of Commission Approval of Amendments to Policies Assigning New Numbers to Policies

(2001) 24 OSCB 2472

Notice of Amendment to OSC Policy Under The Securities Act - OSC Policy 4.2 Suspension of Registration - Criminal Charges Pending

G.

DISTRIBUTION REQUIREMENTS

41-502 41-502CP Prospectus Requirements for Mutual Funds

January 19, 2001

(2001) 24 OSCB 376

Short Notice - Notice of Commission Approval of Rule 41-502 Prospectus Requirements for Mutual Funds

(2001) 24 OSCB 455

OSC Rule 41-502 and Companion Policy 41-502CP Prospectus Requirements for Mutual Funds

April 13, 2001

(2001) 24 OSCB 2289

Notice of Minister of Finance Approval of Final Rule 41-502 Prospectus Requirements for Mutual Funds and Notice of Amendment to Regulation 015 of the Revised Regulations of Ontario, 1990 Made Under The Securities Act in Connection with OSC Rule 41-502

April 20, 2001

(2001) 24 OSCB 2408

Short Notice - Notice of Minister of Finance Approval of Final Rule 41-502 Prospectus Requirements for Mutual Funds and Notice of Amendment to Regulation 1015 of the Revised Regulations of Ontario, 1990 Made Under The Securities Act in Connection with OSC Rule 41-502

(2001) 24 OSCB 2474

OSC Rule 41-502 and 41-502CP Prospectus Requirements for Mutual Funds

41-601 Capital Pool Companies

August 31, 2001

(2001) 24 OSCB 5258

Short Notice - Proposed Policy 41-601 Capital Pool Companies/Request for Comments

(2001) 24 OSCB 5317

Notice of Proposed Ontario Securities Commission Policy 41-601 Capital Pool Companies/Request for Comments

43-101 43-101CP 43-101F1 Standards of Disclosure for Mineral Projects

January 12, 2001

(2001) 24 OSCB 192

Short Notice - Minister of Finance Approval of National Instrument 43-101 Standards of Disclosure for Mineral Projects, Form 43-101F1 Technical Report, and Companion Policy 43-101CP

(2001) 24 OSCB 303

National Instrument 43-101 Standards of Disclosure for Mineral Projects

44-801 Implementing National Instrument 44-101 Short Form Prospectus Distributions

February 9, 2001

(2001) 24 OSCB 875

Short Notice - Rule 44-801 Implementing National Instrument 44-101 Short Form Prospectus Distributions

(2001) 24 OSCB 937

Notice of Rule 44-801 Implementing National Instrument 44-101 Short Form Prospectus Distributions

April 13, 2001

(2001) 24 OSCB 2291

Notice of Minister of Finance Approval of Rule 44-801 Implementing National Instrument 44-101 Short form Prospectus Distribution

(2001) 24 OSCB 2334

Ontario Securities Commission Rule 44-801 Implementing National Instrument 44-101 Short Form Prospectus Distributions

45-101 45-101CP 45-101F1 Rights Offerings

April 27, 2001

(2001) 24 OSCB 2597

Short Notice - Notice of Commission Approval of National Instrument 45-101 Rights Offerings

(2001) 24 OSCB 2667

Notice of National Instrument 45-101 Rights Offerings, Companion Policy 45-101CP and Form 45-101F and Rescission of Certain Policies

July 20, 2001

(2001) 24 OSCB 4335

Notice of Minister of Finance Approval of National Instrument 45-101 Rights Offerings

(2001) 24 OSCB 4397

National Instrument 45-101 Rights Offerings, Form 45-101F Information Required in a Rights Offering Circular and Companion Policy 45-101CP

45-102 45-102CP 45-102F1 45-102F2 45-102F3 Resale of Securities

April 20, 2001

(2001) 24 OSCB 2403

Short Notice - Notice of Commission Approval of Multilateral Instrument 45-102 Resale of Securities, Form 45-102F1, Form 45-102F2, Form 45-102F3 and Companion Policy 45-102CP

(2001) 24 OSCB 2437

OSC Notice - Multilateral Instrument 45-102, Forms 45-102F1, 45-102F2 and 45-102F3 and Companion Policy 45-102CP Resale of Securities

May 18, 2001

(2001) 24 OSCB 3133

Notice of Withdrawal of Multilateral Instrument 45-102 Resale of Securities

45-501 45-502CP 45-501F1 45-501F2 45-501F3 Exempt Distributions

April 6, 2001

(2001) 24 OSCB 2071

Short Notice - Notice of Request for Comments for Proposed Rule 45-501 Exempt Distributions, Companion Policy 45-501CP, Forms 45-501F1, 45-501F2 and 45-501F3 Exempt Distributions & Rule 45-504 and Notice of Proposed Rescission of Rule 45-501 Exempt Distributions and Companion Policy 45-501CP, and Rule 45-504 Prospectus Exemption for Distributions of Securities to Portfolio Advisors on Behalf of Fully Managed Accounts/Request for Comments

(2001) 24 OSCB 2183

Notice of Request for Comments for Proposed Rule 45-501 Exempt Distributions, Companion Policy 45-501CP, Forms 45-501F1, 45-501F2 and 45-501F3 Exempt Distributions & Rule 45-504 and Notice of Proposed Rescission of Rule 45-501 Exempt Distributions and Companion Policy 45-501CP, and Rule 45-504 Prospectus Exemption for Distributions of Securities to Portfolio Advisors on Behalf of Fully Managed Accounts/Request for Comments

July 13, 2001

(2001) 24 OSCB 4165

Short Notice - Notice of Request for Comments Proposed Rule 45-501 Exempt Distributions, Companion Policy 45-501CP and Forms 45-501F1, 45-501F2 and 45-501F3 and Notice of Proposed Rescission of Rule 45-501 Exempt Distributions and Companion Policy 45-501CP, and Rule 45-504 Prospectus Exemption for Distributions of Securities to Portfolio Advisors on Behalf of Fully Managed Accounts

(2001) 24 OSCB 4247

Notice of Proposed Rule, Policy and Forms under the Securities Act Rule 45-501 Exempt Distributions, Companion Policy 45-501CP and Forms 45-501F1, 45-501F2 and 45-501F3 and Rescission of Existing Rule 45-501 and Companion Policy 45-501CP and Rule 45-504 Prospectus Exemption for Distributions of Securities to Portfolio Advisors on Behalf of Fully Managed Accounts/Request for Comments

45-504 Prospectus Exemption for Distributions of Securities to Portfolio Advisors on Behalf of Fully Managed Accounts

April 6, 2001

(2001) 24 OSCB 2071

Short Notice - Notice of Request for Comments for Proposed Rule 45-501 Exempt Distributions, Companion Policy 45-501CP, Forms 45-501F1, 45-501F2 and 45-501F3 Exempt Distributions & Rule 45-504 and Notice of Proposed Rescission of Rule 45-501 Exempt Distributions and Companion Policy 45-501CP, and Rule 45-504 Prospectus Exemption for Distributions of Securities to Portfolio Advisors on Behalf of Fully Managed Accounts/Request for Comments

(2001) 24 OSCB.2183

Notice of Request for Comments for Proposed Rule 45-501 Exempt Distributions, Companion Policy 45-501CP, Forms 45-501F1, 45-501F2 and 45-501F3 Exempt Distributions & Rule 45-504 and Notice of Proposed Rescission of Rule 45-501 Exempt Distributions and Companion Policy 45-501CP, and Rule 45-504 Prospectus Exemption for Distributions of Securities to Portfolio Advisors on Behalf of Fully Managed Accounts/Request for Comments

July 13, 2001

(2001) 24 OSCB 4165

Short Notice - Notice of Request for Comments Proposed Rule 45-501 Exempt Distributions, Companion Policy 45-501CP and Forms 45-501F1, 45-501F2 and 45-501F3 and Notice of Proposed Rescission of Rule 45-501 Exempt Distributions and Companion Policy 45-501CP, and Rule 45-504 Prospectus Exemption for Distributions of Securities to Portfolio Advisors on Behalf of Fully Managed Accounts

(2001) 24 OSCB 4247

Notice of Proposed Rule, Policy and Forms under the Securities Act Rule 45-501 Exempt Distributions, Companion Policy 45-501CP and Forms 45-501F1, 45-501F2 and 45-501F3 and Rescission of Existing Rule 45-501 and Companion Policy 45-501CP and Rule 45-504 Prospectus Exemption for Distributions of Securities to Portfolio Advisors on Behalf of Fully Managed Accounts/Request for Comments

46-201 Escrow for Initial Public Offerings and Form 46-201F Escrow Agreement

September 21, 2001

(2001) 24 OSCB 5632

Short Notice - Notice of Proposed National Policy 46-201 Escrow for Initial Public Offerings and Form 46-201F Escrow Agreement and Rescission of Ontario Securities Commission Policy 5.9/Request for Comments

(2001) 24 OSCB 5677

Notice - Proposed National Policy 46-201 Escrow for Initial Public Offerings and Form 46-201F Escrow Agreement and Rescission of Ontario Securities Commission Policy 5.9/Request for Comments

H.

ONGOING REQUIREMENTS FOR ISSUERS AND INSIDERS

51-201 Disclosure Standards

May 25, 2001

(2001) 24 OSCB 3265

Short Notice - Notice of Proposed National Policy 51-201 Disclosure Standards and Proposed Rescission of National Policy 40 Timely Disclosure

(2001) 24 OSCB 3301

Notice of Proposed National Policy 51-201 Disclosure Standards and Proposed Rescission of National Policy 40 Timely Disclosure

52-601 Applications for Exemptions from Preparation and Mailing of Interim Financial Statements, Annual Financial Statements and Proxy Solicitation Material

April 20, 2001

(2001) 24 OSCB 2404

Notice of Commission Approval of Amendments to Policies Assigning New Numbers to Policies

(2001) 24 OSCB 2471

Notice of Amendment to OSC Policy Under The Securities Act - **OSC Policy 2.6**
Applications for Exemptions from Preparation and Mailing of Interim Financial Statements, Annual Financial Statements and Proxy Solicitation Material

51-603 Reciprocal Filings

April 20, 2001

(2001) 24 OSCB 2404

Notice of Commission Approval of Amendments to Policies Assigning New Numbers to Policies

(2001) 24 OSCB 2473

Notice of Amendment to OSC Policy Under The Securities Act - **OSC Policy 7.5** Reciprocal Filings

55-101 55-101CP Exemption from Certain Insider Reporting Requirements

February 23, 2001

(2001) 24 OSCB 1218

Short Notice - National Instrument **55-101** Exemption from Certain Insider Reporting Requirements

(2001) 24 OSCB 1283

National Instrument **55-101** and **55-101CP** Exemption from Certain Insider Reporting Requirements/Rescission of OSC Policy 10.1

May 11, 2001

(2001) 24 OSCB 2989

Notice of Minister of Finance Approval of Final Rule **55-101** Exemption from Certain Insider Reporting Requirements and Notice of Amendment to Regulation 1015 of the Revised Regulations of Ontario, 1990 Made Under The Securities Act in Connection with National Instrument **55-101**

(2001) 24 OSCB 3025

National Instrument **55-101** and **55-101CP** Exemption from Certain Insider Reporting Requirements

55-102 55-102CP 55-102F1 55-102F2 55-102F3 55-102F4 55-102F5 55-102F6 System for Electronic Disclosure by Insiders (SEDI)

July 20, 2001

(2001) 24 OSCB 4336

Short Notice - National Instrument **55-102** System for Electronic Disclosure by Insiders (SEDI)

(2001) 24 OSCB 4414

Notice - National Instrument **55-102**, Forms **55-102F1**, **55-102F2**, **55-102F3**, **55-102F4**, **55-102F5** and **55-102F6**, Companion Policy **55-102CP** System for Electronic Disclosure by Insiders (SEDI)

57-603 Defaults by Reporting Issuers in Complying with Financial Statement Filing Requirements

April 27, 2001

(2001) 24 OSCB 2598

Short Notice - Notice of Ontario Securities Commission Policy **57-603** Defaults by Reporting Issuers in Complying with Financial Statement Filing Requirements

(2001) 24 OSCB 2700

Ontario Securities Commission Policy **57-603** Defaults by Reporting Issuers in Complying with Financial Statement Filing Requirements

I.

TAKE-OVER BIDS AND SPECIAL TRANSACTIONS

61-501 Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions

August 24, 2001

(2001) 24 OSCB 5113

Short Notice - Notice of Proposed Amendment to OSC Rule **61-501** Under the Securities Act - Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions (Canadian Venture Exchange Issuers)/Request for Comments

(2001) 24 OSCB 5179

Notice of Proposed Amendment to Rule **61-501** Under the Securities Act - Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions (Canadian Venture Exchange Issuers)/Request for Comments

62-601 Take-Over Bids - Miscellaneous Guidelines

April 20, 2001

(2001) 24 OSCB 2404
(2001) 24 OSCB 2474

Notice of Commission Approval of Amendments to Policies Assigning New Numbers to Policies
Notice of Amendment to OSC Policy Under The Securities Act - **OSC Policy 9.3 Take-Over Bids - Miscellaneous Guidelines**

62-602 Business and Asset Combinations

April 20, 2001

(2001) 24 OSCB 2404
(2001) 24 OSCB 2473

Notice of Commission Approval of Amendments to Policies Assigning New Numbers to Policies
Notice of Amendment to OSC Policy Under The Securities Act - **OSC Policy 7.4 Business and Asset Combinations**

J.

SECURITY TRANSACTIONS OUTSIDE THE JURISDICTION

K.

MUTUAL FUNDS

81-101 81-101CP 81-101F1 81-101F2 Mutual Fund Prospectus Disclosure

February 16, 2001

(2001) 24 OSCB 1003

Short Notice of Approval of Amendments to National Instrument **81-102** and Companion Policy **81-102CP** Mutual Funds and to National Instrument **81-101** and Companion Policy **81-101CP** Mutual Fund Prospectus Disclosure and to Form **81-101F1** Contents of Simplified Prospectus and to Form **81-101F2** Contents of Annual Information Form

(2001) 24 OSCB 1071

Notice of Rules and Policies - Amendments to National Instrument **81-102** and Companion Policy **81-102CP** Mutual Funds and to National Instrument **81-101**, Companion Policy **81-101CP** Mutual Fund Prospectus Disclosure and to Form **81-101F1** Contents of Simplified Prospectus and to Form **81-101F2** Contents of Annual Information Form

April 13, 2001

(2001) 24 OSCB 2290

Notice of Minister of Finance Approval of Amendment to National Instrument **81-102** and Companion Policy **81-102CP** Mutual Funds and to National Instrument **81-101** and Companion Policy **81-101CP** Mutual Fund Prospectus Disclosure and to Form **81-101F1** Contents of Simplified Prospectus and to form **81-101F2** Contents of Annual Information Form

April 27, 2001

(2001) 24 OSCB 2597

Notice of Amendments to National Instrument **81-102** and Companion Policy **81-102CP** Mutual Funds and to National Instrument **81-101** and Companion Policy **81-101CP** Mutual Fund Prospectus Disclosure, and Form **81-101F1** Contents of Simplified Prospectus and Form **81-101F2** Contents of Annual Information Form

(2001) 24 OSCB 2680

Amendments to National Instrument **81-102** and Companion Policy **81-102CP** Mutual Funds and to National Instrument **81-101** and Companion Policy **81-101CP** Mutual Fund Prospectus Disclosure and to Form **81-101F1** Contents of Simplified Prospectus and to Form **81-101F2** Contents of Annual Information Form

81-102 81-102CP Mutual Funds

February 16, 2001

(2001) 24 OSCB 1003

Short Notice of Approval of Amendments to National Instrument **81-102** and Companion Policy **81-102CP** Mutual Funds and to National Instrument **81-101** and Companion Policy **81-101CP** Mutual Fund Prospectus Disclosure and to Form **81-101F1** Contents of Simplified Prospectus and to Form **81-101F2** Contents of Annual Information Form

(2001) 24 OSCB 1071

Notice of Rules and Policies - Amendments to National Instrument **81-102** and Companion Policy **81-102CP** Mutual Funds and to National Instrument **81-101**, Companion Policy **81-101CP** Mutual Fund Prospectus Disclosure and to Form **81-101F1** Contents of Simplified Prospectus and to Form **81-101F2** Contents of Annual Information Form

April 13, 2001

(2001) 24 OSCB 2290

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April 27, 2001

(2001) 24 OSCB 2597

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(2001) 24 OSCB 2680

Amendments to National Instrument 81-102 and Companion Policy 81-102CP Mutual Funds and to National Instrument 81-101 and Companion Policy 81-101CP Mutual Fund Prospectus Disclosure and to Form 81-101F1 Contents of Simplified Prospectus and to Form 81-101F2 Contents of Annual Information Form

L.

DERIVATIVES

M.

MISCELLANEOUS

January 5, 2001

(2001) 24 OSCB 3

Short Notice - OSC Policy Statement 5.2 Junior National Resources Issues/Request for Comments

(2001) 24 OSCB 115

Ontario Securities Commission Policy 5.2 - Junior Natural Resources/Request for Comments

January 12, 2001

(2001) 24 OSCB 191

Notice of Commission Decision Extending the Temporary Exemption Order of the Montreal Exchange from Recognition

March 30, 2001

(2001) 24 OSCB 1901

Short Notice - Notice and Request for Comments 11-901 Concept Proposal to Revise Schedule 1 (Fees) to the Regulation to the *Securities Act* (Ontario)/Request for Comments

(2001) 24 OSCB 1971

Notice and Request for Comments 11-901 Concept Proposal to Revise Schedule 1 (Fees) to the Regulation to the *Securities Act* (Ontario)/Request for Comments

N.

RULES AND POLICIES OF SROs AND RECOGNIZED EXCHANGES

March 9, 2001

(2001) 24 OSCB 1490

TSE Policy 2-401 Supervision of Trading/Notice of Commission Approval

(2001) 24 OSCB 1595

TSE Policy 2-401 Supervision of Trading

May 11, 2001

(2001) 24 OSCB 2775

Notice of Commission Approval The Toronto Stock Exchange By-law No. 703 Introduction of Time Priority

June 15, 2001

(2001) 24 OSCB 3582

Notice of Commission Approval - Amendment to TSE Rule 4-501 The In-House Client Priority Rule and Enactment of Policy 4-501

August 10, 2001

(2001) 24 OSCB 4823

Notice of Commission Approval of The Toronto Stock Exchange Inc. Acquisition of Canadian Venture Exchange Inc.

(2001) 24 OSCB 4860

Notice of Commission Approval - Investment Dealers Association of Canada By-law Amendment, Late Filing Fees for Reports

August 17, 2001

(2001) 24 OSCB 5013

The Toronto Stock Exchange Inc. - Notice of Consequential Amendments Relating to Time Priority

September 7, 2001

(2001) 24 OSCB 5386

(2001) 24 OSCB 5477

The Toronto Stock Exchange Rule 1-101 Definitions - Notice of Commission Approval
The Toronto Stock Exchange - Amendment to Rule No. 1-101

**1.1.4 Assignment of Certain Powers and Duties
of the Ontario Securities Commission**

Headnote

Subsection 6(3) - assignment by the Commission of powers and duties under subsection 83.1(1) of the Act to the Director in certain circumstances described in Commission Policy 12-602.

Statutes Cited

Securities Act, R.S.O. 1990 c.S.5, as amended, ss. 6(3), 83.1(1).

Policies Cited

Commission Policy 12-602 - Deeming a Reporting Issuer in Certain other Canadian Jurisdictions to be a Reporting Issuer in Ontario.

NOW THEREFORE the Assignment is amended by adding, immediately following subparagraph (s) of paragraph 2 thereof, the following:

"(t) subsection 83.1(1) of the Act, in the circumstances described in Parts 2 and 3 of Commission Policy 12-602 - *Deeming an Issuer in Certain Other Canadian Jurisdictions to be a Reporting Issuer in Ontario*;"

October 3, 2001.

"Paul M. Moore"

"R. Stephen Paddon"

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

AND

**IN THE MATTER OF
THE ASSIGNMENT OF
CERTAIN POWERS AND DUTIES
OF
THE ONTARIO SECURITIES COMMISSION**

**Amendment of Assignment
(Subsection 6(3))**

WHEREAS on April 12, 1999, pursuant to subsection 6(3) of the Act, the Ontario Securities Commission (the "Commission") made an assignment (the "Original Assignment") assigning certain of its powers and duties under the Act to each "Director" as that term is defined in subsection 1(1) of the Act, acting individually;

AND WHEREAS on September 7, 1999, February 15, 2000, January 23, 2001 and April 27, 2001, pursuant to subsection 6(3) of the Act, the Commission amended the Original Assignment (the "Original Assignment as so amended being referred to as the "Assignment");

AND WHEREAS Commission Policy 12-602 - *Deeming an Issuer in Certain other Canadian Jurisdictions to be a Reporting Issuer in Ontario* ("Policy 12-602") came into effect on June 27, 2001;

AND WHEREAS the Commission now considers it desirable to make an additional assignment of certain powers and duties in order to facilitate the operation of Policy 12-602;

1.1.5 Application for recognition of Market Regulation Services Inc.

APPLICATION FOR RECOGNITION OF MARKET REGULATION SERVICES INC. AND REQUEST FOR COMMENT

Market Regulation Services Inc. ("RS Inc.") has applied to be recognized as a self-regulatory organization ("SRO") in Alberta, British Columbia, Manitoba, Ontario and Quebec. RS Inc. will operate as a regulatory services provider under the Alternative Trading System ("ATS") proposal and will administer and enforce trading rules for the marketplaces that retain its services.

In connection with the recognition of RS Inc. as an SRO, the following documents are being published for comment in Chapter 13 of this Bulletin:

1. Notice and request for comments
2. Application for Recognition of RS Inc.
3. Proposed Universal Market Integrity Rules (revised from April 20, 2001 version)
4. Proposed criteria for recognition with terms and conditions
5. Memorandum of understanding regarding oversight of RS Inc.

1.1.6 Notice of proposed Rule 72-502, 51-503, 51-503CP and Proposed Amendments to Rule 52-501

NOTICE OF PROPOSED RULE 72-502 CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS RELATING TO FOREIGN ISSUERS

The Commission is publishing the following documents in today's Bulletin:

- Notice of Proposed Rule 72-502 and Companion Policy 72-502CP Continuous Disclosure and Other Exemptions relating to Foreign Issuers and Proposed Recission of OSC Policy 7.1, the related Order and Rules
- Proposed Rule 72-502 Continuous Disclosure and Other Exemptions relating to Foreign Issuers
- Proposed Companion Policy 72-502CP
- Proposed Recission of Ontario Securities Commission Order In the Matter of Parts XVII and XX of the *Securities Act* and In the Matter of Certain Reporting Issuers and Ontario Securities Commission Rules In the Matter of Certain Reporting Issuers

The documents are published in Chapter 6 of the Bulletin.

NOTICE OF PROPOSED RULE 51-503 AND COMPANION POLICY 51-503CP SUPPLEMENTARY SEC FILINGS AND PROPOSED RESCISSION OF OSC POLICY 51-603 RECIPROCAL FILINGS

The Commission is publishing the following documents in today's Bulletin:

- Notice of Proposed Rule 51-503 and Companion Policy 51-503CP Supplementary SEC Filings and Proposed Recission of OSC Policy 51-603 Reciprocal Filings
- Proposed Rule 51-503 Supplementary SEC Filings
- Proposed Companion Policy 51-503CP
- Proposed Rescission of OSC Policy 51-603 Reciprocal Filings

The documents are published in Chapter 6 of the Bulletin.

**NOTICE OF PROPOSED AMENDMENTS TO
RULE 52-501 FINANCIAL STATEMENTS**

The Commission is publishing the following documents in today's Bulletin:

- Notice of Proposed Amendments to Rule 52-501 Financial Statements
- Proposed Amendments to Rule 52-501 Financial Statements

The documents are published in Chapter 6 of the Bulletin.

**1.1.7 Notice of Amendment of OSC Rule 51-501
AIF and MD&A**

**NOTICE OF COMMISSION APPROVAL OF AN
AMENDMENT TO OSC RULE 51-501 AIF AND MD&A**

**NOTICE OF
AMENDMENT TO OSC RULE 51-501 AIF AND MD&A**

On October 12, 2001, the Commission, under section 143 of the *Securities Act* (the "Act") approved an amendment to subsection 2.1(4) of OSC Rule 51-501 AIF and MD&A (the "Amendment").

The Amendment and the material required by the Act to be delivered to the Minister of Finance were delivered on October 12, 2001. If the Minister does not reject or return the Amendment by December 11, 2001, or if the Minister approves the Amendment, the Amendment will come into force on December 31, 2001. The Instrument is being published in Chapter 5 of the Bulletin.

Contact information:

Jean-Paul Bureaud
Legal Counsel, Continuous Disclosure
Ontario Securities Commission
(416) 593-8131
e-mail: jbureaud@osc.gov.on.ca

1.2 News Releases

1.2.1 OSC Hosts Technical Briefing on the System for Electronic Disclosure by Insiders

FOR IMMEDIATE RELEASE
October 5, 2001

OSC HOSTS TECHNICAL BRIEFING ON THE SYSTEM FOR ELECTRONIC DISCLOSURE BY INSIDERS

Toronto - The Ontario Securities Commission is hosting a technical briefing on the System for Electronic Disclosure by Insiders (SEDI). SEDI is a new and secure Internet-based disclosure and filing system that will provide greater convenience to capital markets participants and more timely information to investors about insiders' transactions.

The technical briefing will take place between 10 - 11 a.m. on October 10th, 2001 at the Ontario Securities Commission' Conference Centre. The OSC's Conference Centre is located on the 22nd Floor, 20 Queen Street West.

The following members of the project management team will be in attendance:

Ritu Kalra, Senior Accountant, Ontario Securities Commission

Cynthia Rogers, Senior Legal Counsel, Ontario Securities Commission

Dean Peloso, Vice President, e-Regulation, CDS Inc.

Peter Jansen, Development Manager, CapGemini Ernst & Young

Source:

Jean-Pierre Maisonneuve
Ontario Securities Commission
(416) 595-8913

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Conor Pacific Environmental Technologies Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Issuer exempt from filing financial statements for the financial year ended December 31, 2000, provided that the filer files a balance sheet for the financial year, and comparative financial statements for each of the first, second and third quarters of fiscal 2001 and the financial year ended December 31, 2001.

Applicable Ontario Statutory Provision

Securities Act, R.S.O. 1990, c.S.5, as am. Ss.6(3), ss.77, 79, 80(b)(iii).

Applicable Ontario Policies

OSC Rule 51-501 -AIF and MD&A.

**IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN,
MANITOBA, ONTARIO, QUÉBEC,
PRINCE EDWARD ISLAND AND NOVA SCOTIA**

**AND IN THE MATTER OF
THE
MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS**

AND

**IN THE MATTER OF
CONOR PACIFIC ENVIRONMENTAL TECHNOLOGIES
INC.**

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Prince Edward Island and Nova Scotia (the "Jurisdictions") has received an application from Conor Pacific Environmental Technologies Inc. (the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation to include:

a) comparative financial statements to the Filer's balance sheet as at December 31, 2000,

b) comparative financial statements to the Filer's income statements and statements of cash flows for the interim periods ending March 31, 2001, June 30, 2001 and September 30, 2001, and

c) comparative financial statements to the Filer's income statement and statement of cash flows for the year ending December 31, 2001,

(together the "Comparative Financial Statement Requirements") shall not apply to the Filer;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the British Columbia Securities Commission is the principal regulator for this application;

AND WHEREAS the Filer has represented to the Decision Makers that:

1. the Filer, a corporation amalgamated under the laws of Alberta on July 12, 1996, is a reporting issuer, or the equivalent thereof, under the Legislation in each of the Jurisdictions;
2. on November 10, 2000, an application was made by the Filer to the Court of Queen's Bench of Alberta (the "Court") in connection with a Plan of Compromise and Reorganization and Plan of Arrangement (the "Plan") under the *Companies Creditors Arrangement Act* (Canada) and the *Business Corporations Act* (Alberta); an order was issued by the Court which provided for, among other things, a stay of all actions, suits and proceedings against the Filer, authorized the Filer to call a meeting of its general creditors to consider and approve the Plan, and directed that the Filer give its shareholders notice of the Plan and of the hearing of the Court to be held to consider the fairness of the Plan;
3. the Plan was approved by the general creditors of the Filer at a meeting held in Calgary on December 4, 2000;
4. on December 20, 2000 the Filer obtained an order from the Court (the "Final Order") sanctioning the Plan, declaring that the Plan was fair and reasonable and in the best interests of the secured creditors, the general creditors, the shareholders and any other stakeholders of the Filer, and extending the stay of proceedings against the Filer;
5. pursuant to the Plan:
 - (a) on April 25, 2001, a total of 1,055,978,713 common shares of the Filer were issued to secured and unsecured creditors on a *pro rata* basis having regard to claims filed and accepted

under the Plan, thereby extinguishing approximately \$23 million out of a total of \$29.5 million of secured and unsecured indebtedness of the Filer;

- (b) thereafter the Filer consolidated its shares on a 50 for one basis so that approximately 22.5 million common shares are currently outstanding;
- 6. the common shares commenced trading on a post-consolidation basis on The Toronto Stock Exchange on May 2, 2001;
- 7. as a result of the Plan, former shareholders of the Filer hold only 5% of the total issued and outstanding common shares of the Filer;
- 8. the change in share distribution resulting from the implementation of the Plan represents a substantial reorganization of the business and capitalization of the Filer;
- 9. the Filer accounted for the implementation of the Plan as at December 31, 2000 on a "fresh start" basis in accordance with the guidelines set forth by the Canadian Institute of Chartered Accountants (the "CICA"), which contemplates that figures for a prior period may be excluded from a company's financial statements where that company has undergone a financial reorganization resulting in a substantial realignment of its non-equity and equity interests;
- 10. the Filer has undergone a significant financial reorganization and its ongoing business activities subsequent to the reorganization will be substantially reduced from those carried on prior to the reorganization;

AND WHEREAS under the System this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each Decision Maker is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that the Comparative Financial Statement Requirements shall not apply to the Filer provided that:

- 1. the Filer's financial statements for the year ending December 31, 2000 include a balance sheet as at December 31, 2000 prepared on the basis of "fresh-start" accounting, without comparatives, with note disclosure for the disclosure items specified by CICA Handbook Section 1625;
- 2. the Filer's financial statements for the year ending December 31, 2000 include an income statement and a statement of cash flows for the year ending December 31, 2000 with comparative financial statements for the year ending December 31, 1999, on the basis that all operations sold or shut down are reflected under the heading "Discontinued Operations";

- 3. the Filer's management discussion and analysis for the year ending December 31, 2000 includes comprehensive discussion and analysis of the effects of implementation of the Plan; and
- 4. the Filer's financial statements for the interim periods ending March 31, 2001, June 30, 2001 and September 30, 2001, and for the year ending December 31, 2001, include notes that disclose revenues, cost of sales, gross margins and all other direct costs for the comparative interim periods ending March 31, 2000, June 30, 2000 and September 30, 2000, and the year ending December 31, 2000, respectively, for each operating segment that the Filer retained after implementation of the Plan.

August 7, 2001.

"Derek E. Patterson"

2.1.2 Tradefreedom Securities Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief from the Suitability Requirements as reflected in paragraph 1.5(1)(b) of OSC Rule 31-505, pursuant to section 4.1 of OSC Rule 31-505, subject to the terms and conditions set out in the Decision Document.

Decision pursuant to s.21.1(4) of the Act, that the IDA Suitability Requirements do not apply to the Filer, subject to the terms and conditions set out in the Decision Document.

Applicable Ontario Statutory Provisions

Securities Act R.S.O. 1990, c.S.5, as amended, s.21.1(4).

Applicable Ontario Rules

Ontario Securities Commission Rule 31-505 Conditions of Registration (1999) 22 O.S.C.B. 731.

IDA Regulations Cited

IDA Regulation 1300.1(b), 1800.5(b), 1900.4.

**IN THE MATTER OF
THE SECURITIES LEGISLATION
OF BRITISH COLUMBIA AND ONTARIO**

AND

**IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS**

AND

**IN THE MATTER OF TRADEFREEDOM SECURITIES INC.
MRRS DECISION DOCUMENT**

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of British Columbia and Ontario (collectively, the "Jurisdictions") has received an application from TradeFreedom Securities Inc. (the "Filer") for:

1. a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirements of the Legislation requiring the Filer and its registered salespersons, partners, officers and directors (the "Registered Representatives") to make inquiries of each client of the Filer as are appropriate, in view of the nature of the client's investments and of the type of transaction being effected for the client's account, to determine (a) the general investment needs and objectives of the client and (b) the suitability of a proposed purchase or sale of a security for the client (such requirements, the "Suitability Requirements") do

not apply to the Filer and its Registered Representatives; and

2. a decision under the Legislation that the requirements of the Investment Dealers Association of Canada (the "IDA"), in particular IDA Regulation 1300.1(b), 1800.5(b) and 1900.4, requiring the Filer and its Registered Representatives to make inquiries of each client of the Filer as are appropriate, in view of the nature of the client's investments and of the type of transaction being effected for the client's account, to determine (a) the general investment needs and objectives of the client and (b) the suitability of a proposed purchase or sale of a security for the client (such requirements, the "IDA Suitability Requirements") do not apply to the Filer and its Registered Representatives;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS the Filer has represented to the Decision Makers that:

1. the Filer is a corporation incorporated under the *Canada Business Corporations Act*;
2. the head office of the Filer is located in Quebec and the Filer has Registered Representatives registered in each of the Jurisdictions;
3. the Filer is registered as an investment dealer under the Legislation of each of the Jurisdictions and is a member of the IDA;
4. the Filer has not opened an account for a client located in either of the Jurisdictions prior to the granting of this Decision;
5. the Filer and its Registered Representatives will not provide advice or recommendations regarding the purchase or sale of any security or as to suitability and the Filer has adopted policies and procedures to ensure the Filer and its Registered Representatives do not provide advice or recommendations regarding the purchase or sale of any security or as to suitability;
6. when the Filer provides trade execution services to clients in either of the Jurisdictions, it would, in the absence of this Decision, be required to comply with the Suitability Requirements and IDA Suitability Requirements;
7. clients who request the Filer or its Registered Representatives to provide advice or recommendations or advice as to suitability will be referred to another registered dealer or adviser who provides those services;
8. the Filer will not compensate its Registered Representatives on the basis of transactional values;

9. each prospective client of the Filer will be advised, and required to provide the Filer with a written acknowledgement (the "Prospective Client Acknowledgement"), that:

- (a) no advice or recommendations will be provided by the Filer or its Registered Representatives regarding the purchase or sale of any security, and
- (b) the Filer and its Registered Representatives will not determine the general investment needs and objectives of the client or the suitability of a proposed purchase or sale of a security for the client,

prior to the Filer opening an account for such prospective client;

10. the Prospective Client Acknowledgement will provide the prospective client with sufficient detail and will explain to each prospective client the significance of not receiving either investment advice or a recommendation from the Filer, including the significance of the Filer not determining the general investment needs and objectives of the client, or the suitability of a proposed purchase or sale of a security for the client;

11. the Filer has adopted policies and procedures to ensure:

- (a) that evidence of all Prospective Client Acknowledgements is established and retained pursuant to the record keeping requirements of the Legislation and the IDA; and
- (b) all client accounts of the Filer are appropriately designated as being a client account to which a Prospective Client Acknowledgement has been received;

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that the Suitability Requirements contained in the Legislation shall not apply to the Filer and its Registered Representatives so long as:

- 1. the Filer and its Registered Representatives do not provide any advice or recommendations regarding the purchase or sale of any security;
- 2. clients who request the Filer or its Registered Representatives to provide advice or recommendations

or advice as to suitability are referred to another registered dealer or adviser who provides those services;

- 3. the Filer is a distinct legal entity and operates using its own letterhead, accounts, Registered Representatives and account documentation;
- 4. the Filer does not compensate its Registered Representatives on the basis of transactional values;
- 5. each prospective client of the Filer is advised of the Decision of the Decision Makers and required to provide a Prospective Client Acknowledgement prior to the Filer opening an account for such prospective client;
- 6. evidence of all Prospective Client Acknowledgements is established and retained pursuant to the record keeping requirements of the Legislation and the IDA; and
- 7. when the IDA rule addressing the IDA Suitability Requirements comes into effect, the Decision with respect to the Suitability Requirements will terminate six months following the date such rule comes into force, unless the Decision Maker determines otherwise.

October 2, 2001.

"Ranee B. Pavalow"

THE DECISION of the Decisions Makers is that the IDA Suitability Requirements do not apply to the Filer and its Registered Representatives so long as:

- 1. the Filer and its Registered Representatives do not provide any advice or recommendations regarding the purchase or sale of any security;
- 2. clients who request the Filer or its Registered Representatives to provide advice or recommendations or advice as to suitability are referred to another registered dealer or adviser who provides those services;
- 3. the Filer is a distinct legal entity and operates using its own letterhead, accounts, Registered Representatives and account documentation;
- 4. the Filer does not compensate its Registered Representatives on the basis of transactional values;
- 5. each prospective client of the Filer is advised of the Decision of the Decision Makers and required to provide a Prospective Client Acknowledgement prior to the Filer opening an account for such prospective client;
- 6. evidence of all Prospective Client Acknowledgements is established and retained pursuant to the record keeping requirements of the Legislation and the IDA; and

7. when the IDA rule addressing the IDA Suitability Requirements comes into effect, the Decision with respect to the IDA Suitability Requirements will terminate six months following the date such rule comes into force, unless the Decision Maker determines otherwise.

October 2, 2001.

"Paul M. Moore"

"K.D. Adams"

**2.1.3 Rio Tinto PLC and Rio Tinto Limited -
MRRS Decision**

**IN THE MATTER OF
THE SECURITIES LEGISLATION
OF BRITISH COLUMBIA, ALBERTA, ONTARIO, Québec,
NEWFOUNDLAND, THE NORTHWEST TERRITORIES
AND THE YUKON TERRITORY**

AND

**IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS**

AND

IN THE MATTER OF RIO TINTO PLC

AND

IN THE MATTER OF RIO TINTO LIMITED

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Ontario, Québec, Newfoundland, Northwest Territories and Yukon Territory (the "Jurisdictions") has received an application from Rio Tinto plc and Rio Tinto Limited (together, the "Issuers" and individually, an "Issuer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation to be registered to trade in a security (the "Registration Requirement") and to file and obtain a receipt for a preliminary prospectus and a prospectus in respect of such security (the "Prospectus Requirement") shall not apply to certain trades of securities of the Issuers under each Issuer's International Share Savings Plan, as such Plan may be amended, supplemented or superseded from time to time (individually, a "Plan" and collectively, the "Plans") and the subsequent first trade in ordinary shares of the Issuers (collectively, the "Shares" and individually, a "Share") acquired under the Plans by holders in the Jurisdictions;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System") the Commission des valeurs mobilières du Québec is the principal regulator for this application;

AND WHEREAS the Issuers have represented to the Decision Makers that:

1. Rio Tinto plc is a company incorporated pursuant to the laws of England and Wales with its head office in London, England, while Rio Tinto Limited is a company incorporated under Australian law with an office in Melbourne, Australia;
2. the Issuers are registered with the Securities Exchange Commission (the "SEC") in the United States of America under the United States *Securities Exchange*

- Act of 1934 (the "Exchange Act"), but are exempt from the reporting requirements of the Exchange Act pursuant to Rule 12G 3-2 made thereunder;
3. neither Issuer is a reporting issuer or its equivalent in any of the Jurisdictions and neither has any present intention of becoming one;
 4. the authorised capital of Rio Tinto plc includes 1,421,232,830 Shares, of which approximately 1.06 billion Shares were issued and outstanding as of June 30, 2001. Rio Tinto Limited had approximately 498.4 million Shares issued and outstanding as of June 30, 2001;
 5. Shares of Rio Tinto plc are listed and posted for trading on the London, EuroNext and Deutsche Borse Stock Exchanges, while Shares of Rio Tinto Limited are listed in Australia and New Zealand. Both Issuers have sponsored American Depositary Share ("ADS") programs. ADSs of Rio Tinto plc are traded on the New York Stock Exchange, while ADSs of Rio Tinto Limited are traded over-the-counter in the United States of America;
 6. as of June 30, 2001, to the best of the knowledge of each of the Issuers, holders of such Issuer's Shares resident in a Jurisdiction did not hold, directly or indirectly, more than 2% of the total outstanding Shares of that Issuer and all such holders of such Issuer's Shares in Canada did not hold more than 10% of the total outstanding Shares of that Issuer nor did the aggregate number of holders of an Issuer's Shares in Canada exceed 10% of the total number of holders of its Shares;
 7. full-time employees in Canada ("**Eligible Employees**") of an Issuer or an Affiliate of an Issuer (as defined in the Legislation) who have worked for a qualifying period and who are not eligible to participate in any other Issuer related share savings schemes will be eligible to participate in the Plans;
 8. Eligible Employees will be provided with information relating to the Plans, which includes an offer by the Issuer to apply for options ("**Options**") to purchase Shares of the Issuer at the Exercise Price (as defined below);
 9. an Eligible Employee who elects to participate in a Plan (a "**Participant**") will not be induced or required to participate in the Plan by expectation of or as a condition of employment or continued employment with the Issuer or its Affiliate;
 10. Participants can join a Plan by signing an application form to establish a savings contract (a "**Savings Contract**") with a designated savings carrier (the "**Savings Carrier**"). Participants will pay by payroll deduction a stated monthly contribution to an interest bearing savings account with the Savings Carrier for an elected term;
 11. the exercise price of an Option (the "**Exercise Price**") will not be at less than 80% of the Market Value (as defined in the Plans) of a Share over the three business days immediately preceding the date of the invitation to participate, or such other date as determined by the board of directors of the Issuer;
 12. the funds saved pursuant to the Savings Contract, together with the interest earned may be used to buy Shares on behalf of the Participant upon exercise of Options, or may be withdrawn by the Participant at any time. If the Participant chooses to discontinue his or her Savings Contract, he or she will no longer be entitled to the Options;
 13. Shares to be acquired upon exercise of Options under the Plans will either be newly issued Shares or previously issued Shares of the Issuer acquired on the secondary market;
 14. the Issuers will engage the services of an agent (an "**Agent**") to provide the Issuer with assistance in transferring previously issued Shares of the Issuer to Participants upon exercise of Options and to provide Participants with day-to-day brokerage services in connection with the resale of Shares acquired upon exercise of Options;
 15. the Agent will be authorised or qualified to trade in securities under applicable legislation in the foreign jurisdiction in which the Shares are traded, but will not be registered to trade in securities under the Legislation;
 16. while the Savings Carrier will collate all applications for participation under the Plans and maintain the records of a Participant's Savings Contract, all communications with Eligible Employees and Participants will be done through the Issuer and its Affiliates at all stages of the Plan;
 17. when Options are exercised, the Issuers will co-ordinate the issuance or transfer of Shares with the Agent through the facilities of a stock exchange or organised market outside of Canada, and since there is no market in the Jurisdictions for the Shares and none is expected to develop, the Issuers expect that any resale of Shares acquired under the Plans will be made through the Agent through the facilities of and in accordance with the rules of a stock exchange or organised market outside of Canada;
 18. the aggregate number of Shares that may be allocated under the Plans on any day, shall not, when added to the total number of Shares that have been allocated in the previous 10 years (5 years in the case of the Plan of Rio Tinto Limited) under any employee share scheme operated by the Issuer, exceed 10% (5% in the case of the Plan of Rio Tinto Limited) of the outstanding Shares of the Issuer immediately before that day;
 19. the Plans will not allow the total number of Shares to be reserved for issuance under Options for any one

Participant to exceed 5% of the total outstanding Shares of an Issuer;

20. while Options will generally only be exercisable for a period of six (6) months after the termination of the Savings Contract, Options held by a Participant who ceases to be an Eligible Employee in certain circumstances such as injury, disability, redundancy, retirement or death, will become exercisable by the former employee for a period of six (6) months after such Participant's termination of employment or, where the Participant dies, by the Participant's personal representatives for a period of 12 months after such Participant's death, or if earlier, the termination of the Savings Contract, after which time such Options will immediately lapse.
21. except for the transmission of an Option on the death of a Participant to the Participant's personal representatives, neither an Option nor any rights in respect of it may be transferred, assigned or otherwise disposed of by a Participant to any other person; and
22. residents in the Jurisdictions who acquire Shares under a Plan will be provided with all disclosure material relating to the applicable Issuer that is provided to holders of Shares of that Issuer resident in the governing jurisdiction of that Issuer;

AND WHEREAS under the System this Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that:

The Registration Requirements shall not apply to trades in Options or Shares where such trades are in accordance with the provisions of the applicable Plan, and shall not apply to the first trade in Shares acquired under the Plans provided such trade is executed through the facilities of a stock exchange or on an organized market outside of Canada through an Agent and in accordance with the laws applicable to such exchange or market.

September 25, 2001.

"Jean-François Bernier"

THE DECISION of the Decision Makers pursuant to the Legislation is that:

- (a) The Prospectus Requirements shall not apply to trades in Options and Shares under the Plans where such trades are in accordance with the provisions of the Plans, as applicable.
- (b) The first trade in Shares acquired under the Plans shall be subject to the Prospectus Requirements unless such trade is executed through the facilities of a stock

exchange or on an organized market outside of Canada and in accordance with the laws applicable to such exchange or market.

- (c) A French-language offering notice required pursuant to the Regulation respecting securities (Québec) must be distributed to all Participants in Québec.

September 25, 2001.

"Josée Deslauriers"

**2.1.4 Equilife Investment Management Inc.
- s. 5.1**

Headnote

Section 5.1 of OSC Rule 31-506 SRO Membership - Mutual Fund Dealers - mutual fund dealer exempted from the requirements of the Rule that it be a member of the Mutual Fund Dealers Association and file an application and prescribed fees for membership provided that it only effects transactions in mutual fund securities on behalf of its parent company where the parent company is principal in the transactions.

Statutes Cited

Securities Act, R.S.O. 1990, c.S.5, as am.

Rules Cited

OSC Rule 31-506 SRO Membership - Mutual Fund Dealers, ss. 2.1, 3.1, 5.1.

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

AND

**IN THE MATTER OF
ONTARIO SECURITIES COMMISSION RULE 31-506
SRO MEMBERSHIP - MUTUAL FUND DEALERS**

AND

**IN THE MATTER OF
EQUILIFE INVESTMENT MANAGEMENT INC.**

**DECISION
(Section 5.1)**

UPON the application (the "Application") of Equilife Investment Management Inc. (the "Registrant") to the Director of the Ontario Securities Commission (the "Commission") for a decision pursuant to section 5.1 of Ontario Securities Commission Rule 31-506 SRO Membership - Mutual Fund Dealers (the "Rule") exempting the Registrant from section 3.1 of the Rule requiring the Registrant to prepare and submit an application for membership with the Mutual Fund Dealers Association (the "MFDA") no later than the thirtieth day after the effective date of the Rule;

AND UPON considering the Application and the recommendation of staff of the Commission;

AND UPON the Registrant having represented to the Director as follows:

1. The Registrant was incorporated in the Province of Ontario on March 11, 1998 pursuant to Articles of Incorporation. The Registrant is the wholly-owned subsidiary of The Equitable Life Insurance Company of Canada.

2. The Registrant became registered in the category of mutual fund dealer under the Securities Act (Ontario) (the "Act") effective November 16, 1998, and has been continually registered in the category of mutual fund dealer under the Act since that time.
3. Pursuant to section 3.1 of the Rule, all mutual fund dealers must prepare and submit to the MFDA an application for membership in the form prescribed by the MFDA, together with the MFDA's prescribed fees, no later than May 23, 2001. Pursuant to section 2.1 of the Rule, all mutual fund dealers must become members of the MFDA by July 2, 2002.
4. The Registrant carries on as its sole business the business of a mutual fund dealer that does not sell any mutual funds directly to the public, but is registered as a mutual fund dealer to enable the Registrant to carry on activities in respect of its parent, The Equitable Life Insurance Company of Canada ("Equitable Life").
5. From time to time, Equitable Life makes purchases of certain mutual fund securities for its own account. As a mutual fund dealer, the Registrant effects such purchases and sales as agent of Equitable Life. The Registrant does not effect any purchases or sales of mutual fund securities other than those for Equitable Life, and all transactions completed by the Registrant are solely for the direct benefit of Equitable Life.

AND UPON the Director being satisfied that to do so would not be prejudicial to the public interest;

IT IS THE DECISION of the Director, pursuant to section 5.1 of the Rule, that, effective May 23, 2001, the Registrant is exempt from the requirements in sections 2.1 and 3.1 of the Rule;

PROVIDED THAT:

As a term and condition of its registration under the Act as a mutual fund dealer, the Registrant conducts activities limited to effecting transactions in mutual fund securities only on behalf of Equitable Life, where Equitable Life is principal in the transactions.

September 28, 2001.

"Rebecca Cowdery"

2.1.5 Diebold, Incorporated and Global Election Systems Inc.

Headnote

Rule 54-501 - Request for relief from the requirement to reconcile to Canadian GAAP financial statements included in an Information Circular which are prepared in accordance with U.S. GAAP.

Ontario Rule Cited

Rule 54-501, Prospectus Disclosure in Certain Information Circulars, s. 3.1.

Rule 41-501, General Prospectus Requirements, s. 9.1.

**IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO AND BRITISH COLUMBIA**

AND

**IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS**

AND

**IN THE MATTER OF
DIEBOLD, INCORPORATED**

AND

**IN THE MATTER OF
GLOBAL ELECTION SYSTEMS INC.**

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Ontario and British Columbia (the "Jurisdictions") has received an application from Diebold, Incorporated ("Diebold"), Diebold Acquisition Ltd. ("Subco") and Global Election Systems Inc. ("Global" and, together with Diebold and Subco, the "Applicants") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the requirements contained in the Legislation:

- (a) that the notes to the financial statements of Diebold explain and quantify any significant differences, or the effect of material differences, between Canadian generally accepted accounting principles ("GAAP") and United States (U.S.) GAAP and thereby provide a reconciliation of such financial statements to Canadian GAAP, and provide disclosure consistent with Canadian GAAP requirements to the extent not already reflected in the financial statements;
- (b) that the Diebold auditor's report disclose any material differences in the form and content of its auditor's report as compared to a Canadian

auditor's report, explain any significant differences between the generally accepted auditing standards ("GAAS") of the U.S. as compared with Canadian GAAS and confirm that the auditing standards applied are substantially equivalent to Canadian GAAS; and

- (c) that the Diebold consolidated financial information and MD&A disclosure provide a cross-reference to the notes in the financial statements that reconcile the differences between U.S. GAAP and Canadian GAAP,

(collectively, the "Foreign GAAP Reconciliation Requirements") shall not apply to the Applicants with respect to disclosure in a management information circular (the "Circular") to be sent to the shareholders of Global (the "Global Shareholders") in connection with a proposed transaction (the "Transaction") whereby Diebold will acquire all of the outstanding common shares of Global pursuant to an arrangement among the Applicants (the "Arrangement");

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission ("OSC") is the principal regulator for this application;

AND WHEREAS the Applicants have represented to the Decision Makers that:

1. Diebold is a corporation incorporated under the laws of the state of Ohio;
2. Diebold is not, and has no present intention of becoming, a reporting issuer under the Legislation or under the securities legislation of any other province or territory of Canada, but is subject to the reporting requirements of the United States *Securities Exchange Act of 1934* (the "1934 Act");
3. the authorized capital of Diebold consists of 125,000,000 shares of Common stock, US\$1.25 par value (the "Diebold Shares") and 1,000,000 shares of Preferred stock, without par value; as at August 9, 2001 there were 72,095,743 Diebold Shares and no shares of Preferred stock issued and outstanding;
4. the Diebold Shares are listed for trading on the New York Stock Exchange (the "NYSE");
5. as at August 30, 2001, there were approximately 27 registered holders of Diebold Shares in Canada holding approximately 0.2% of the total number of issued and outstanding Diebold Shares;
6. Subco was incorporated under the laws of British Columbia as a wholly-owned subsidiary of Diebold; Subco is not, and has no present intention of becoming, a reporting issuer under the Legislation or under the securities legislation of any other province or territory of Canada;
7. Global is a company amalgamated under the laws of British Columbia;

8. Global is a reporting issuer under the Legislation but is not a reporting issuer or the equivalent under the securities legislation of any other province or territory in Canada; Global is also subject to the reporting requirements of the 1934 Act;
 9. the authorized capital of Global consists of 100,000,000 common shares without par value (the "Global Shares") and 20,000,000 convertible preferred shares without par value; as of September 4, 2001 approximately 20,695,340 Global Shares and no preferred shares were issued and outstanding;
 10. the Global Shares are listed for trading on the Toronto Stock Exchange (the "TSE") and the American Stock Exchange ("AMEX");
 11. as at August 13, 2001, there were approximately 263 registered holders of Global Shares in Canada holding, in aggregate, approximately 61.1% of the total number of issued and outstanding Global Shares;
 12. an extraordinary general meeting (the "Meeting") of the Global Shareholders will be held on or about October 25, 2001, at which Meeting Global will seek the requisite shareholder approval for the Arrangement;
 13. in connection with the Meeting Global will mail, on or about September 25, 2001 to each Global Shareholder: (i) a notice of the Meeting, (ii) a form of proxy, and (iii) the Circular. The Circular will be prepared in accordance with Rule 54-501 of the OSC and Form 54-901.F (formerly Form 30) of the British Columbia Securities Commission, except with respect to any relief granted therefrom, and will contain disclosure of the Transaction and the business and affairs of each of Diebold and Global;
 14. the Circular will contain the following financial statements:
 - (a) audited annual financial statements of Diebold for each of the three fiscal years ended December 31, 2000, December 31, 1999 and December 31, 1998 together with balance sheets as required and the auditor's reports thereon, all in accordance with U.S. GAAP;
 - (b) unaudited financial statements of Diebold for the interim period ended June 30, 2001, prepared in accordance with U.S. GAAP; and
 - (c) audited annual financial statements of Global for each of the three fiscal years ended June 30, 2001, June 30, 2000 and June 30, 1999 together with balance sheets as required and the auditor's reports thereon, all in accordance with Canadian GAAP;
 15. Global will effect the Arrangement following approval of the Arrangement by the Global Shareholders and the Supreme Court of British Columbia. Pursuant to the Arrangement, the following will be deemed to occur in the following order without any further act or formality at the effective time of the Arrangement (the "Effective Time"):
 - (a) the issued and outstanding Global Shares, other than those held directly or indirectly by Diebold or Global and those held by any dissenting shareholders (the "Dissenting Shareholders"), will be transferred to Subco or its assignee in exchange for cash and Diebold Shares, calculated based on the exchange ratio set out in the Arrangement Agreement; as of the Effective Time, holders of such Global Shares will cease to have any rights as Global Shareholders other than the right to be paid the exchange consideration; and
 - (b) the Global Shares held by Dissenting Shareholders who have validly exercised their dissent rights will be transferred to Global and cancelled; as of the Effective Time, such Dissenting Shareholders will cease to have any rights as Global Shareholders other than the right to be paid the fair value of their Global Shares;
 16. Holders of outstanding options and warrants of Global will be dealt with in accordance with agreements entered into prior to the completion of the Transaction;
 17. Diebold is making an application to the NYSE in order that the Diebold Shares issued pursuant to the Arrangement be listed for trading on the NYSE;
 18. Diebold intends to have Global delisted from the TSE and AMEX, and intends to file an application with the applicable Canadian securities regulatory authorities to have Global cease to be a reporting issuer upon the consummation of the Arrangement or shortly thereafter; and
 19. upon the completion of the Transaction, assuming that all of the Global Shareholders elect to exchange their Global Shares for Diebold Shares, it is expected that the holders of Diebold Shares resident in Canada will hold less than 1% of the issued and outstanding Diebold Shares.
- AND WHEREAS** under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");
- AND WHEREAS** each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;
- THE DECISION** of the Decision Makers under the Legislation is that the Foreign GAAP Reconciliation Requirements shall not apply in connection with the disclosure pertaining to Diebold in the Circular.

September 24, 2001.

"K.S. Soden"

2.1.6 Siebel Systems Canada, Limited - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - as a result of a statutory plan of arrangement, issuer has one beneficial security holder - issuer deemed to have ceased to be a reporting issuer.

Statutes Cited

Securities Act, R.S.O. 1990, c.S.5, as am., s. 83.

**IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO, ALBERTA AND SASKATCHEWAN**

AND

**IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW
SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS**

AND

**IN THE MATTER OF
SIEBEL SYSTEMS CANADA, LIMITED
(FORMERLY KNOWN AS JANNA SYSTEMS INC.)**

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, Saskatchewan and Ontario (collectively, the "Jurisdictions") has received an application from Siebel Systems Canada, Limited ("Siebel-Janna"), formerly known as Janna Systems Inc. ("Janna"), for a decision under the securities legislation of each of the Jurisdictions (the "Legislation") that Siebel-Janna be deemed to have ceased to be a reporting issuer or the equivalent thereof under the Legislation;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS Siebel-Janna has represented to the Decision Makers that:

1. Janna was originally incorporated under the laws of Ontario on October 19, 1990. On November 1, 1999 Janna was amalgamated under the laws of Ontario with a wholly-owned subsidiary. On March 1, 2001 Janna was amalgamated (the "Amalgamation") under the laws of Ontario with its affiliates, Siebel Systems Canada, Limited and The Information Atrium Inc. and was continued under the corporate name of "Siebel Systems Canada, Limited".
2. Janna became a reporting issuer under the Legislation as follows:

- (a) in Alberta, Janna was declared a reporting issuer effective June 2, 2000 pursuant to subsection 117(1) of the *Securities Act* (Alberta) and Siebel-Janna became a reporting issuer by virtue of being the company whose existence continues following an amalgamation where one of the amalgamating corporations was a reporting issuer;
- (b) in Saskatchewan, Janna was deemed to be a reporting issuer effective July 17, 2000 pursuant to subsection 83(1)(a)(iii) of the *Securities Act, 1988* (Saskatchewan) and Siebel-Janna became a reporting issuer by virtue of being the company whose existence continues following an amalgamation where one of the amalgamating corporations was a reporting issuer; and
- (c) in Ontario, Janna became a reporting issuer under the *Securities Act* (Ontario) in July, 1996 by issuing voting securities in respect of which a prospectus was filed and a receipt therefor obtained and Siebel-Janna became a reporting issuer by virtue of being the company whose existence continues following an amalgamation where one of the amalgamating corporations was a reporting issuer for at least twelve months.

3. Siebel-Janna's head office is located in Toronto, Ontario.
4. The authorized capital of Siebel-Janna consists of an unlimited number of common shares and an unlimited number of preference shares of which 9,999,648 common shares and no preference shares are issued and outstanding.
5. Pursuant to a statutory plan of arrangement Siebel Systems, Inc., through two indirectly wholly-owned subsidiaries, acquired all of the issued and outstanding common shares of Siebel-Janna (the "Siebel-Janna Shares") and became the sole security holder of Siebel-Janna.
6. The Siebel-Janna Shares were de-listed from The Toronto Stock Exchange on November 20, 2000 and no securities of Siebel-Janna are listed or quoted on any exchange or market in Canada.
7. Other than securities outstanding to indirectly owned subsidiaries of Siebel Systems, Inc., Siebel-Janna has no securities, including debt securities, outstanding.
8. Siebel-Janna is not in default of any of the requirements of the Legislation except the requirement to file annual financial statements within 140 days of December 31, 2001 and the requirements to file interim financial statements within 60 days of March 31, 2001 and June 30, 2001, each of which occurred after the time that indirect subsidiaries of Siebel Systems, Inc. became the holders of all securities of Siebel-Janna.
9. Siebel-Janna does not intend to seek public financing by way of an issue of its securities.

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that Siebel-Janna is deemed to have ceased to be a reporting issuer or the equivalent thereof under the Legislation in each of the Jurisdictions effective as of the date of this Decision.

September 26, 2001.

"John Hughes"

2.1.7 MRF 2001 Limited Partnership - MRRS Decision

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN,
ONTARIO, NOVA SCOTIA AND NEWFOUNDLAND

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR
EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
MRF 2001 LIMITED PARTNERSHIP

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia and Newfoundland (collectively, the "Jurisdictions") has received an application from MRF 2001 Limited Partnership (the "Partnership") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the Partnership be exempt from the requirements contained in the Legislation to file with the Decision Makers and send to its securityholders (the "Limited Partners") interim financial statements for each of the first and third quarters of each of the Partnership's fiscal years;

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Application (the "System"), the Ontario Securities Commission is the principal regulator for this application.

AND WHEREAS the Partnership has represented to the Decision Makers that:

1. the Partnership is a limited partnership formed pursuant to the *Limited Partnerships Act* (Ontario) on January 18, 2001;
2. the Partnership was formed to invest in certain common shares ("Flow-Through Shares") of companies involved primarily in oil and gas, mining or renewable energy exploration and development ("Resource Companies");
3. the Partnership will enter into agreements ("Resource Agreements") with Resource Companies and under the terms of each Resource Agreement, the Partnership will subscribe for Flow-Through Shares of the Resource Company and the Resource Company will incur and renounce to the Partnership, in amounts equal to the subscription price of the Flow-Through Shares, expenditures in respect of resource exploration and development which qualify as Canadian exploration expense or an Canadian development expense which may be renounced as Canadian exploration expense to the Partnership;

4. on April 25, 2001, the Decision Makers, together with the securities regulatory authority or regulator for Manitoba and Yukon (in which jurisdictions no legislative requirement exists to file first and third interim financial statements), issued a receipt under the System for the prospectus of the Partnership dated April 25, 2001 (the "Prospectus") relating to an offering of up to 1,400,000 units of the Partnership (the "Partnership Units");
5. the Prospectus contained disclosure that the Partnership intends to apply for an order from the Decision Makers exempting it from the requirements to file and distribute financial statements of the Partnership in respect of the first and third quarters of each fiscal year of the Partnership;
6. the Partnership Units will not be listed or quoted for trading on any stock exchange or market;
7. at the time of purchase or transfer of Partnership Units, each purchaser or transferee consents to the application by the Partnership for an order from the Decision Makers exempting the Partnership from the requirements to file and distribute financial statements of the Partnership in respect of the first and third quarters of each fiscal year of the Partnership;
8. on or about June 30, 2003, the Partnership will be liquidated and the Limited Partners will receive their pro rata share of the net assets of the Partnership; and it is the current intention of the general partner of the Partnership to propose prior to the dissolution that the Partnership enter into an agreement with Middlefield Mutual Funds Limited (the "Mutual Fund"), an open end mutual fund, whereby assets of the Partnership would be exchanged for shares of the Growth Class of the Mutual Fund; and upon dissolution, Limited Partners would then receive their pro rata share of the shares of the Growth Class of the Mutual Fund;
9. unless a material change takes place in the business and affairs of the Partnership, the Limited Partners will obtain adequate financial information concerning the Partnership from the semi-annual financial statements and the annual report containing audited financial statements of the Partnership together with the auditors' report thereon distributed to the Limited Partners;
10. given the limited range of business activities to be conducted by the Partnership and the nature of the investment of the Limited Partners in the Partnership, the provision by the Partnership of interim financial statements in respect of the first and third quarters of each fiscal year of the Partnership will not be of significant benefit to the Limited Partners and may impose a material financial burden on the Partnership;
11. it is disclosed in the Prospectus that the General Partner will apply on behalf of the Partnership for relief from the requirements to send to Limited Partners the interim financial statements for each of the first and third quarters of each of the Partnership's fiscal years;

12. each of the Limited Partners has, by subscribing for the units offered by the Partnership in accordance with the Prospectus, agreed to the irrevocable power of attorney contained in Article XIX of the Amended and Restated Limited Partnership Agreement scheduled to the Prospectus and has thereby consented to the making of this application for the exemption requested herein;

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each Decision Maker is of the opinion that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that:

1. the Partnership be and is hereby exempted from the requirement to file with the Decision Makers interim financial statements for the first and third quarters of each financial year of the Partnership; and
2. the Partnership be and is hereby exempted from the requirement to send to the Limited Partners interim financial statements for the first and third quarters of each financial year of the Partnership,

provided that these exemptions shall terminate upon the occurrence of a material change in the affairs of the Partnership unless the Partnership satisfies the Decision Makers that the exemptions should continue, which satisfaction shall be evidenced in writing.

September 25, 2001.

"J. A. Geller".

"R. Stephen Paddon"

2.1.8 Newmont Canada Limited - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - as a result of a merger and a statutory plan of arrangement, issuer has only two security holders - issuer deemed to have ceased to be a reporting issuer.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c.S.5, as am. s. 83.

**IN THE MATTER OF
THE SECURITIES LEGISLATION
OF ALBERTA, SASKATCHEWAN, ONTARIO,
QUEBEC, NOVA SCOTIA and NEWFOUNDLAND**

AND

**IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS**

AND

**IN THE MATTER OF NEWMONT CANADA LIMITED
(FORMERLY BATTLE MOUNTAIN CANADA LTD.)**

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, Saskatchewan, Ontario, Quebec, Nova Scotia and Newfoundland (the "Jurisdictions") has received an application from Newmont Canada Limited (formerly Battle Mountain Canada Ltd.) (the "Corporation"), for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the Corporation be deemed to have ceased to be a reporting issuer, or the equivalent, under the Legislation;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS the Corporation has represented to the Decision Makers that:

1. The head office of the Corporation is located at 60 Shirley Street South, P.O. Box 1205, Timmins, Ontario, P4N 7J5.
2. The Corporation was incorporated under the *Business Corporations Act* (Ontario) (the "OBCA") on January 1, 1995.
3. The Corporation is a reporting issuer in each of the Jurisdictions and other than a failure to file an annual information form, annual financial statements and a management discussion and analysis statement on May 22, 2001 for the period ended December 31, 2000, and interim financial statements and interim

management discussion and analysis statements on May 30, 2001 and August 29, 2001 for the periods, respectively, ended March 31, 2001 and June 30, 2001, the Corporation is not in default of any requirements under the Legislation.

4. The Corporation's authorized capital consists of an unlimited number of common shares (the "Common Shares"), an unlimited number of subordinate shares, an unlimited number of preferred shares (the "Preferred Shares"), an unlimited number of exchangeable shares, and an unlimited number of class B exchangeable convertible shares. Of the shares the Corporation is authorized to issue, only the Common Shares and the Preferred Shares are issued and outstanding.
5. As a result of a merger and a statutory plan of arrangement, the Corporation became a wholly-owned subsidiary of Newmont Mining Corporation ("Newmont Mining"). The Common Shares and Preferred Shares are held by two security holders:
 - (a) Battle Mountain Gold, a wholly-owned subsidiary of Newmont Mining, is the holder of 100% of the issued Common Shares of the Corporation; and
 - (b) Newmont Nova Scotia ULC, a wholly-owned subsidiary of Newmont Mining, is the holder of 100% of the issued Preferred Shares of the Corporation.
6. The Corporation has no securities, including debt securities, listed or quoted on any exchange or market in Canada or elsewhere.
7. Other than the Common Shares and Preferred Shares, the Corporation has no securities, including debt securities, outstanding.
8. The Corporation has no present intention to seek public financing by way of an offering of its securities.

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that the Corporation is deemed to have ceased to be a reporting issuer, or the equivalent, under the Legislation effective as of the date of this Decision.

October 2, 2001.

"John Hughes"

2.2 Orders

2.2.1 Livent Inc. - s. 127

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

AND

**LIVENT INC.
GARTH H. DRABINSKY
MYRON I. GOTTLIEB
GORDON ECKSTEIN
ROBERT TOPOL**

**ORDER
(Section 127)**

WHEREAS this proceeding was commenced by a Notice of Hearing and related Statement of Allegations dated July 3, 2001;

AND WHEREAS Staff of the Commission ("Staff") and the respondents have jointly requested that this matter be adjourned to December 5, 2001, or as soon thereafter as a panel may be constituted;

AND WHEREAS Staff have requested a pre-hearing conference to be scheduled in November, 2001, or as soon thereafter as a pre-hearing conference may be scheduled;

AND WHEREAS the Commission considers it to be in the public interest to make this order;

IT IS ORDERED THAT Staff and the respondents or their counsel attend a pre-hearing conference on November 23, 2001, or on a date as soon thereafter as a pre-hearing conference may be scheduled;

IT IS ORDERED THAT this matter be adjourned to December 5, 2001, or as soon thereafter as a panel may be constituted.

September 11, 2001.

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Chapter 3

Reasons: Decisions, Orders and Rulings

THERE IS NO MATERIAL FOR THIS CHAPTER
IN THIS ISSUE

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Chapter 4

Cease Trading Orders

4.1.1 Temporary, Extending & Rescinding Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Rescinding Order
Receptagen Ltd.	6 Oct 99	18 Oct 99	19 Oct 99	Partially Recinded 26 Sep 01
1 st Miracle Group Inc.	4 Oct 01	16 Oct 01	-	9 Oct 01
Gemstone X.Change Corp.	4 Oct 01	16 Oct 01	-	-

4.2.1 Management & Insider Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Lapse/ Expire	Date of Issuer Temporary Order
Dotcom 2000 Inc.	29 May 01	11 Jun 01	11 Jun 01	-	23 Jul 01
St. Anthony Resources Inc.	29 May 01	11 Jun 01	11 Jun 01	23 Jun 01	-
Galaxy OnLine Inc. Melanesian Minerals Corporation	29 May 01	11 Jun 01	11 Jun 01	24 Jul 01	-
Brazilian Resources, Inc. Link Mineral Ventures Ltd. Nord Pacific Limited	30 May 01	12 Jun 01	12 Jun 01	-	23 Jul 01
Landmark Global Financial Corp.	30 May 01	12 Jun 01	12 Jun 01	28 Jun 01	-
Dominion International Investments Inc.	12 Jun 01	25 Jun 01	25 Jun 01	-	23 Jul 01
Zamora Gold Corp.	13 Jun 01	26 Jun 01	26 Jun 01	18 Jul 01	-
Consumers Packaging Inc.	20 Jun 01	03 Jul 01	-	05 Jul 01	-
Systech Retail Systems Inc.	27 Jun 01	10 Jul 01	10 Jul 01	23 Aug 01	-
United Trans-Western, Inc.	05 Jul 01	18 Jul 01	19 Jul 01	-	23 Jun 01
Digital Duplication Inc.	10 Jul 01	23 Jul 01	23 Jul 01	23 Aug 01	-
Online Direct Inc.	22 Aug 01	04 Sep 01	04 Sep 01	-	-
Aquarius Coatings Inc.	23 Aug 01	05 Sep 01	06 Sep 01	9 Oct 01	-

Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Lapse/ Expire	Date of Issuer Temporary Order
Primenet Communications Inc.	29 Aug 01	11 Sep 01	11 Sep 01	-	-
Unirom Technologies Inc.	30 Aug 01	12 Sep 01	12 Sep 01	-	-
Zaurak Capital Corporation	30 Aug 01	12 Sep 01	12 Sep 01	28 Sep 01	-
Galaxy Online Inc.	14 Sep 01	27 Sep 01	-	27 Sep 01	27 Sep 01
Consumers Packaging Inc.	19 Sep 01	25 Sep 01	25 Sep 01	-	-

Chapter 5

Rules and Policies

5.1 Rules

5.1.1 OSC Rule 51-501 AIF and MD&A

NOTICE OF AMENDMENT TO ONTARIO SECURITIES COMMISSION RULE 51-501 AIF AND MD&A

Amendment to OSC Rule 51-501 AIF & MD&A

The Ontario Securities Commission (the "Commission") has, under section 143 of the *Securities Act* (Ontario) (the "Act"), amended Commission Rule 51-501 AIF and MD&A ("Rule 51-501").

The amendment and the material required by the Act to be delivered to the Minister of Finance were delivered on October 12, 2001. If the Minister does not reject the amendment or return it to the Commission for further consideration by December 11, 2001, or if the Minister approves the amendment, the amendment to Rule 51-501 will come into force on December 31, 2001.

Substance and Purpose of the Amendment

Rule 51-501, which came into force on January 1, 2001, reformulated Ontario Securities Commission Policy 5.10 Annual Information Form and Management's Discussion and Analysis of Financial Condition and Results of Operations. Rule 51-501 also introduced a requirement for MD&A to be provided in relation to interim financial statements. The purpose of Rule 51-501 is to enhance investor understanding of an issuer's business by providing supplemental analysis and background material to allow a fuller understanding of the nature of the issuer, its operations and known prospects for the future.

Subsection 2.1(1) of Rule 51-501 requires an issuer to file an AIF prepared in accordance with Form 44-101F1 within 140 days after the end of its financial year. Subsection 2.1(3) permits certain issuers to file an AIF in the form of a current annual report on Form 10-K or on Form 20-F instead of Form 44-101F1. Subsection 2.1(4) states that where an issuer files an AIF prepared in accordance with Form 10-K or Form 20-F, the AIF must be filed as nearly as practicable contemporaneously with the filing of the form with the SEC.

Subsection 2.1(4) of Rule 51-501 was intended to ensure that, if an issuer filed a Form 10-K or Form 20-F with the SEC within 140 days after the end of the financial year, the issuer would file the applicable U.S. form with the Commission at approximately the same time as it made its filing with the SEC. Subsection 2.1(4) was not intended to be an exception to the general requirement set out in subsection 2.1(1) to file an AIF, regardless of its form, within 140 days after the end of the financial year.

Since the implementation of Rule 51-501, the Commission has become concerned that a small number of Canadian issuers are interpreting subsection 2.1(4) of Rule 51-501 incorrectly. Accordingly, the Commission has amended subsection 2.1(4) to remove any uncertainty about when an AIF must be filed under the Rule 51-501.

The Commission notes, however, that it intends to propose a limited exemption from the 140 day filing requirement under Rule 51-501 for certain issuers. This exemption is set out in proposed Ontario Securities Commission Rule 72-502 Continuous Disclosure and Other Exemptions relating to Foreign Issuers ("Rule 72-502") which is being published concurrently with the amendment. Rule 72-502 would provide a "foreign issuer" (as defined in Rule 72-502), among other things, with an exemption from the requirement to file an AIF under Rule 51-501 within 140 days after the end of the financial year. Under Rule 72-502, it is proposed that a foreign issuer be permitted to file its home jurisdiction continuous disclosure documents according to home jurisdiction timing requirements, in place of Ontario continuous disclosure documents and timelines. For example, a foreign issuer that is also a "foreign private issuer" under the SEC's definition must file its Form 20-F with the SEC within six months of the end of the fiscal year covered by the report. Other than the limited exemption proposed in Rule 72-502 for foreign issuers, all other reporting issuers will be expected to comply with the 140 day time period set out in Rule 51-501.

Amendment

The text of the amendment follows.

October 12, 2001.

**AMENDMENT TO ONTARIO SECURITIES COMMISSION
RULE 51-501 AIF AND MD&A**

PART 1 AMENDMENT

1.1 Amendment - Rule 51-501 AIF and MD&A is amended by deleting subsection 2.1(4) and substituting for that subsection

“(4) Despite subsection (1), an issuer that files an AIF under subsection (3) shall file the AIF by the earlier of

- (i) within 140 days after the end of its financial year, and
- (ii) as nearly as practicable contemporaneously with the filing of the Form 10-K or Form 20-F with the SEC.”

PART 2 EFFECTIVE DATE

2.1 Effective Date - This Amendment comes into force on December 31, 2001.

Chapter 6

Request for Comments

6.1 Request for Comments

6.1.1 Proposed Rule 72-502

**NOTICE OF PROPOSED RULE 72-502 AND
COMPANION POLICY 72-502CP
CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS
RELATING TO FOREIGN ISSUERS**

AND

**PROPOSED RESCISSION OF OSC POLICY 7.1,
THE RELATED ORDER AND RULES**

This notice is accompanied by proposed Rule 72-502 Continuous Disclosure and Other Exemptions relating to Foreign Issuers (the "Proposed Rule"), proposed Companion Policy 72-502CP (the "Proposed Policy") and the text of the proposed rescission of OSC Policy 7.1, the related Order and Rules, all of which are being published for comment.

Substance and Purpose of Proposed Rule

The substance and purpose of the Proposed Rule is to permit certain persons and companies to satisfy the news release, material change report, financial statement, AIF and MD&A, proxy and proxy solicitation, early warning, insider reporting and communication with beneficial owners of securities requirements in the Securities Act (the "Act") and the rules relating to certain foreign issuers by complying with comparable requirements of a foreign jurisdiction. A foreign issuer that is an SEC issuer may choose to comply with applicable U.S. federal securities law and securities exchange or Nasdaq requirements in lieu of Ontario requirements otherwise applicable. A foreign issuer that is a non-SEC issuer may choose to comply with foreign disclosure requirements (as defined in the Proposed Rule) in lieu of Ontario requirements otherwise applicable.

The Proposed Rule would replace Ontario Securities Commission Policy 7.1 Application of Requirements of the Securities Act to Certain Reporting Issuers ("Policy 7.1"), and the Order *In the Matter of Certain Reporting Issuers* (1980) OSCB 54 (the "Order"). The Order was amended by the Rules *In the Matter of Certain Reporting Issuers* (1997), 20 OSCB 1218, as amended by (1998), 21 OSCB 6436, (1999), 22 OSCB 6304, (2000), 23 OSCB 289 and (2000), 23 OSCB 8244, which in turn incorporated the deemed rule of the same name, (1980) OSCB 166 (the "First Rule"), *In the Matter of Certain Reporting Issuers* (1997), 20 OSCB 1219, as amended by (1998), 21 OSCB 6436, (1999), 22 OSCB 151, (2000), 23 OSCB 289 and (2000), 23 OSCB 8244, which in turn incorporated the deemed rule of the same name, (1984), 7 OSCB 1913 (the "Second Rule") and *In the Matter of Certain Reporting Issuers* (1997), 20 OSCB 1219, as amended by (1998), 21 OSCB 6435, (1999), 22 OSCB 151, (2000), 23

OSCB 289 and (2000), 23 OSCB 8244, which in turn incorporated the deemed rule of the same name, (1984), 7 OSCB 3247 (the "Third Rule") (defined collectively as the "Rules"). *In the Matter of Certain Reporting Issuers* (1997), 20 OSCB 1219, which in turn incorporated the deemed rule of the same name (1985), 8 OSCB 2915 (the "Fourth Rule"), which related to prompt offering qualifying system eligible issuers expired on December 31, 2000.

The Proposed Rule provides that persons and companies may satisfy the news release, material change report, financial statement, AIF and MD&A, proxy and proxy solicitation, early warning, insider reporting and communication with beneficial owners of securities requirements of the Act and the regulations relating to foreign issuers that are SEC registrants by complying with SEC requirements and filing the documents filed with the SEC. For U.S. domestic issuers, the documents filed will contain substantially similar disclosure to that which would be made under the requirements of Ontario securities legislation. Under U.S. federal securities law foreign private issuers are exempt from compliance with interim financial statement, proxy statement and insider reporting requirements of the 1934 Act. However, they must furnish to the SEC on Form 6-K, documents made public in their home jurisdiction, filed with a foreign stock exchange and made public or distributed to securityholders. Foreign private issuers are subject to requirements to file an annual report, management's discussion and analysis and to reconcile annual financial statements to U.S. GAAP. Attached as Schedule A to this notice is a summary of some of the disclosure requirements under U.S. federal securities law applicable to foreign private issuers.

Persons and companies may satisfy the news release, material change report, financial statement, AIF and MD&A, proxy and proxy solicitation, early warning, insider reporting and communication with beneficial owners of securities requirements of securities legislation in Ontario relating to foreign issuers that are not SEC registrants by complying with foreign disclosure requirements and filing documents prepared in accordance with foreign disclosure requirements in a designated foreign jurisdiction provided that the equity securities owned of record by residents of Canada represent 10 percent or less of the equity securities of the issuer on a fully diluted basis.

The Commission has initially designated the foreign jurisdictions of Australia, France, Germany, Hong Kong, Italy, Japan, Mexico, The Netherlands, New Zealand, Singapore, South Africa, Spain, Sweden, Switzerland and the United Kingdom. The Commission considers that the continuous disclosure, AIF and MD&A, proxy and proxy solicitation, early warning, insider reporting requirements, communication with beneficial owners of securities, issuer bid, insider bid, going private transaction and related party transaction requirements of these jurisdictions are adequate in light of the purposes and principles of the Act. The Commission was satisfied based on

its research that each of the jurisdictions designated for purposes of the definition of a non-SEC issuer demonstrated a continuous disclosure regulatory regime that was similar in objective and principle to that in Ontario. Various elements of a jurisdiction's continuous disclosure regime were examined by the Commission as part of its consideration. These elements included a jurisdiction's core issuer continuous disclosure requirements and obligations, the timeliness of disclosure of financial and other material information by issuers and a jurisdiction's requirements with respect to issuer communication with, and treatment of, its security holders. The Commission may designate additional foreign jurisdictions if it considers that the continuous disclosure, AIF and MD&A, proxy and proxy solicitation, early warning, insider reporting requirements, communication with beneficial owners of securities, issuer bid, insider bid, going private transaction and related party transaction requirements of the foreign jurisdiction are adequate in light of the purposes and principles of the Act. The Commission may also revoke a designation.

A foreign issuer that is eligible for an exemption from a requirement under the Proposed Rule and has obtained exemptive relief from the requirement under a Commission ruling may choose to rely upon the exemption in either the Proposed Rule or the ruling.

It will be necessary for foreign issuers that have existing exemptions from continuous disclosure and other requirements under Commission rulings to review the requirements to which they are subject in light of the reformulation process. Some exemptions may continue to be valid. However, the requirements to which the issuers are subject may have changed with the reformulation process. For example, if an issuer has an exemption from the requirement to prepare interim financial statements for the periods set out in section 77 of the Act and from the interim financial statement content requirements of the regulations, those exemptions continue to be valid, but the issuer is also subject to a requirement to file interim financial statements for the periods set out in subsection 2.2(2) of Rule 52-501 Financial Statements ("Rule 52-501").

Background

Existing Act, Regulation, Rules, Order and Policies

The Act imposes continuous disclosure, proxy and proxy solicitation, early warning and insider reporting requirements for all reporting issuers regardless of (i) their jurisdiction of incorporation or organization, (ii) how the issuer became a reporting issuer or (iii) how many security holders the issuer has in Ontario.

These obligations include the requirement to make timely disclosure of material changes, the requirement to file interim and annual financial statements and to send these statements to holders of voting securities or restricted shares, the requirement to file information circulars or annual filings under Form 28 to the regulation made under the Act (the "Regulation"). Rule 51-501 AIF and MD&A ("Rule 51-501") also requires reporting issuers to file an AIF and MD&A. Rule 52-501 imposes requirements as to the content of interim and annual financial statements and requires the filing of certain interim statements in addition to those required to be filed under the Act. The rule entitled In the Matter of Certain

Reporting Issuers that incorporates by reference National Policy Statement No. 41 Shareholder Communication ("NP 41") provides a procedure to enable a reporting issuer to send security holder materials, including proxy-related materials and annual reports, to beneficial owners of its securities who are not registered holders of its securities. The Act also imposes obligations on offerors that acquire securities of a reporting issuer to file early warning reports and on insiders of reporting issuers to file insider reports. Rule 56-501 Restricted Shares ("Rule 56-501") imposes requirements concerning the creation of and disclosure about restricted shares. It also requires a reporting issuer to send all documents that it sends to its common shareholders to holders of restricted shares. Rule 61-501 Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions ("Rule 61-501") imposes disclosure, valuation and majority of minority approval requirements in respect of certain transactions. National Policy Statement No. 14 Acceptability of Currencies in Material Filed with Securities Regulatory Authorities ("NP 14"), National Policy Statement No. 27 Canadian Generally Accepted Accounting Principles, National Policy Statement No. 31 Change of Auditor of a Reporting Issuer, National Policy Statement No. 48 Future-Oriented Financial Information ("NP 48"), National Policy Statement No. 50 Reservations in an Auditor's Report and National Policy Statement No. 51 Change in the Ending Date of a Financial Year and in Reporting Status adopt financial disclosure policies.

In certain cases, the Act allows a reporting issuer to satisfy the continuous disclosure and other requirements imposed by the Act by complying with requirements of another jurisdiction or foreign jurisdiction. For example, section 82 of the Act provides that where the laws of the jurisdiction in which the reporting issuer was incorporated, organized or continued require the reporting issuer to file substantially the same information in that jurisdiction as is required by Part XVIII of the Act, the reporting issuer may comply with the Act by filing the news release, timely disclosure report, information circular or financial statements and auditor's report required by that jurisdiction. Similar provisions relating to (i) the delivery of financial statements to security holders, (ii) information circulars, proxies and proxy solicitation and (iii) insider reporting are included in section 79 and subsections 88(1) and 121(1) of the Act, respectively.

In other cases, under clause 80(b)(ii) of the Act, the Commission may grant relief from certain continuous disclosure requirements of Part XVIII or the Regulation relating to that Part where in the opinion of the Commission to do so would not be prejudicial to the public interest and the reporting issuer ordinarily distributes financial information to security holders in a form, or at times, different from those required by the Act. The Commission, under clause 80(b)(iii) of the Act, may also grant relief where in the opinion of the Commission to do so would not be prejudicial to the public interest and the Commission is satisfied in the circumstances of the particular case that there is adequate justification for so doing. Similar provisions regarding proxy solicitation and insider reporting requirements are included in subsections 88(2) and 121(2) of the Act, respectively.

Beginning in 1980, the Commission promulgated the predecessor policy to Policy 7.1 and issued the Order and the Rules, providing exemptions to certain reporting issuers from certain reporting requirements of the Act.

Evolution of Securities Regulation

In 1980, OSC Policy No. 3-44 Application of Requirements of the Securities Act, 1978, to Certain Reporting Issuers (1980), OSCB 46 ("Policy 3-44") was published. It was amended and republished in 1982 as Policy 7.1 (1983) 4 OSCB 514E. Policy 7.1 was issued in order to respond to questions received by the Commission relating to the interpretation and application of the exemption provisions in the Act. The Policy provided guidance on these interpretation issues and also described the Order and the Rules made by the Commission in the exercise of its exempting powers.

The Order and Policy 7.1 created seven categories of reporting issuers, granted exemptions from certain continuous disclosure and other requirements and set out the Commission's interpretation with respect to the exemptions provided under Part XVIII, Part XIX and Part XXI of the Act.

Policy 7.1, the Order and the Rules evolved through a piecemeal process and were subject to the limitations of the exemptive authority granted by the Act. Since that time, other jurisdictions have adopted statutes similar to the Act, in 1991 the members of the Canadian Securities Administrators ("CSA") adopted the predecessor to National Instrument 71-101 The Multijurisdictional Disclosure System ("NI 71-101") which provides relief from continuous disclosure and other requirements for U.S. reporting issuers, and the Commission has granted relief to foreign issuers on a case-by-case basis as contemplated by CSA Notice 5, published at (1995) 18 OSCB 1893, that outlines the proposed Foreign Issuer Prospectus and Continuous Disclosure System and in other circumstances. In 1982, the SEC adopted an integrated disclosure regime for foreign issuers. Participation by Commission staff in the Standing Committees of the Technical Committee of IOSCO has increased the Commission's understanding of continuous disclosure and other requirements in foreign jurisdictions. In 1998 *Objectives and Principles of Securities Regulation* were published by the International Organization of Securities Commissions ("IOSCO") and in 2000 members of IOSCO were asked to complete self-assessments regarding compliance with each principle. In addition, most of Policy 7.1, the Order and the Rules were based on the concept in section 82 of the Act of jurisdiction of incorporation, continuance or organization. This standard is outdated given the similarity of the securities legislation adopted by other jurisdictions to Ontario's legislation, the authority of the Commission under section 143 of the Act to make rules, including rules varying the application of the Act to foreign issuers to facilitate compliance with requirements applicable or relating to reporting issuers pursuant to paragraph 143(1)36. As a result, the Commission has sought in the Proposed Rule to use the authority in section 143 to simplify and modernize the continuous disclosure and other exemptions for foreign issuers. Unlike Policy 7.1, the Order and the Rules, the scope of the Proposed Rule is limited to foreign issuers. Most of the exemptions granted to Canadian domestic issuers by Policy 7.1, the Order and the Rules are no longer necessary given the harmonization of disclosure requirements and regulations among jurisdictions.

The relief granted to Category "A", "B" and "C" issuers, those incorporated or organized under the laws of Canada or a province, in respect of the content and sending of financial statements is no longer necessary given amendments to the

Regulation. The relief granted to Category "F" reporting issuers relating to the delivery of financial statements was necessary because of the different timing requirements under the *Securities Act* (Quebec) and the Act. These differences no longer apply. The concept of a Category "G" issuer has been eliminated as the relief granted to those issuers expired on December 31, 2000.

The relief granted by paragraph (7) of the Order to non-Canadian Category D issuers from the requirement for approval by the board of directors of annual financial statements has been deleted. Section 2.1(4) of Rule 52-501 requires that every financial statement filed under section 78 of the Act be reviewed by the audit committee, if any, and approved by the board.

Paragraph (9) of the Order provides that a reporting issuer that is subject to requirements for the distribution of financial statements to security holders under the laws of its jurisdiction of incorporation, continuance or organization is exempt from section 79 of the Act. It is proposed that that relief be retained by amending Rule 52-501 to provide for that relief with respect to the financial statements so required to be distributed.

The relief granted by paragraph (10) of the Order to all domestic and foreign reporting issuers, other than mutual funds, from the requirement to send financial statements to holders of securities other than voting securities and restricted shares is proposed to be retained by amending Rule 52-501 to provide for that relief.

Attached as Schedule B to this notice is a Table of Concordance between the Order and the Rules implementing OSC Policy 7.1 and the Proposed Rule.

Recent Developments

Reconciliation to Canadian GAAP and Use of Foreign GAAP

The Proposed Rule does not require that the financial statements of foreign issuers prepared in accordance with foreign GAAP be reconciled to Canadian GAAP. Currently neither the Act nor the regulations require companies incorporated outside Canada to reconcile their continuous disclosure financial statements to Canadian GAAP. This is in contrast to prospectus filings where securities legislation contains a requirement for GAAP reconciliation. Over the years the Commission's practice has been to impose a continuous disclosure GAAP reconciliation requirement when a foreign issuer applied for and was granted other continuous disclosure relief (for example, relief from the requirement for quarterly financial statements or various insider and proxy related requirements).

Though staff initially considered imposing a Canadian GAAP reconciliation requirement in the Proposed Rule, this was reconsidered in light of the CSA's Discussion Paper 52-401 Financial Reporting in Canada's Capital Markets published in March 2001. Pending the resolution of the issues and questions contained in the Paper, the Proposed Rule does not impose a GAAP reconciliation requirement as a condition of the other continuous disclosure exemptions proposed under the Rule. This will be revisited once the overall approach to foreign GAAP has been determined at the CSA level. If

necessary, amendments to the Proposed Rule will be made at that time.

On a related note, subsection 1(4) of the Regulation provides that where an issuer is incorporated or organized in a foreign jurisdiction, GAAP may, at the option of the issuer, mean the GAAP of the incorporating jurisdiction, but the notes to the financial statements must state which GAAP has been chosen. The Proposed Rule states that subsection 1(4) of the Regulation is applicable to foreign issuers relying on the Proposed Rule (i.e., the GAAP chosen must be stated in the notes to the financial statements). This represents a change from the Policy 7.1 approach which provided an exemption from subsection 1(4) of the Regulation for category D issuers incorporated, organized or continued under the laws of the United States or a state or territory of the United States.

National Approach to Foreign Issuer Continuous Disclosure

Commission staff have been working closely with staff of other members of the CSA on the development of a National Harmonized Continuous Disclosure rule. It is anticipated that the general approach to foreign issuers under the Proposed Rule will be incorporated into the National Harmonized Continuous Disclosure rule.

Proposed Foreign Issuer Prospectus and Continuous Disclosure System

It is proposed that Commission staff will no longer recommend that relief be granted to foreign issuers on a case-by-case basis on the terms set out in the continuous disclosure and proxy solicitation section of CSA Notice 5 Proposed Foreign Issuer Prospectus and Continuous Disclosure System. The relief contemplated by that notice is encompassed in the Proposed Rule.

Non-Continuous Disclosure Requirements/Relief Related to Foreign Issuers

The Proposed Rule provides certain exemptions from Ontario's continuous disclosure and other related requirements in certain circumstances. It does not provide exemptions from prospectus disclosure requirements, except in a few very limited areas (eg. NP 14 and NP 48). The CSA chairs have approved the development of a harmonized national long form prospectus regime in addition to the harmonized short form and shelf systems that already exist. As part of the development of the harmonized prospectus regime, the CSA will consider the prospectus regime specifically as it relates to foreign issuers. Part of that consideration will include a comprehensive review of IOSCO's *"International Disclosure Standards For Cross-Border Offerings and Initial Listings By Foreign Issuers"* that were issued in 1998 to determine if modifications to or relief for foreign issuers from the CSA's harmonized prospectus regime are appropriate.

Summary of Proposed Rule

Part 1. Section 1.1 sets out the definitions used in the Proposed Rule.

The Proposed Rule contemplates two categories of reporting issuers: "non-SEC issuer" and "SEC issuer", both of which come within the scope of the definition of "foreign issuer".

A "designated foreign jurisdiction" is defined as a foreign jurisdiction designated by the Commission under subsection 2.1(1) or (2) if the Commission has not revoked the designation under subsection 2.1(3). This term is used in the definition of "foreign regulatory authority".

A "foreign issuer" is defined as an issuer that is not incorporated or organized under the laws of Canada or a jurisdiction, unless (a) outstanding voting securities carrying more than 50 percent of the votes for the election of directors are owned of record directly or indirectly by residents of Canada; and (b) any one or more of (i) the majority of the senior officers or directors of the issuer are residents of Canada, (ii) more than 50 percent of the assets of the issuer are located in Canada, or (iii) the business of the issuer is administered principally in Canada.

The term "foreign regulatory authority" means a securities commission, stock exchange or other securities market regulatory authority in a designated foreign jurisdiction. It is used in the definition "foreign disclosure requirements" which means the requirements to which a foreign issuer is subject concerning disclosure made to a foreign regulatory authority relating to the foreign issuer and its securities that is made publicly available in a foreign jurisdiction under either the securities laws of the foreign jurisdiction in which the principal trading market of the foreign issuer is located or the rules of the exchange or other market that is the principal trading market of the foreign issuer.

A "non-SEC issuer" is defined as a foreign issuer that is not an SEC registrant, that is not a mutual fund or other investment company, and the total number of whose equity securities owned of record directly or indirectly by residents of Canada does not exceed ten percent of the number of equity securities of the issuer. Section 1.2 of the Proposed Rule interprets paragraph (d) of the definition of non-SEC issuer. The definition revises the definition contained in Policy 7.1, the Order and the Rules of "Category E reporting issuer", defined as a foreign issuer that is a reporting issuer solely because it has securities listed on the TSE. The revised definition is broader than the definition of "Category E reporting issuer" in that it encompasses issuers that distributed securities by prospectus or by securities exchange take-over bid circular before December 14, 1999 but did not list them on the TSE, and narrower in that it excludes SEC registrants. The Proposed Rule raises the *de minimis* threshold to ten percent from five percent in Policy 7.1, the Order and the Rules. In addition, to be consistent with other national and multilateral instruments, rules and proposed rules, the Commission is basing the calculation on owners of record directly or indirectly that are residents of Canada not registered security holders

with addresses in Canada.¹ Furthermore, the Order and the Rules required that the total number of registered Canadian security holders of the class not exceed 300. The Commission removed this second part of the test so that the test is based on equity securities on a fully diluted basis.

A "principal trading market" is defined as the published securities market on which the greatest volume of trading in the equity securities of the issuer occurred during the financial year that ended before the date the determination is being made.

The term "restricted shares" has the meaning ascribed in Rule 56-501.

A "SEC issuer" is defined as a foreign issuer that (a) has a class of securities registered under section 12 of the 1934 Act or is required to file reports with the SEC under subsection 15(d) of the 1934 Act, and (b) is not registered or required to be registered as an investment company under the Investment Company Act of 1940 of the United States of America. The definition is based on the current definition of "Category D reporting issuer" contained in Policy 7.1, the Order and the Rules. The definition has also been revised to exclude issuers incorporated, continued or organized under the laws of Canada or a jurisdiction as that exclusion applied in the individual exempting provisions of the Order and the Rules. The definition encompasses both U.S. domestic issuers and foreign private issuers subject to the SEC's foreign integrated disclosure regime.

Part 2. Part 2 of the Proposed Rule sets out several general provisions.

Under subsection 2.1(1) the Commission designates certain foreign jurisdictions as designated foreign jurisdictions and under subsection 2.1(2) the Commission may designate additional foreign jurisdictions, the continuous disclosure, AIF and MD&A, proxy and proxy solicitation, early warning, insider reporting requirements, communication with beneficial owners of securities, issuer bid, insider bid, going private transaction and related party transaction requirements of which the Commission considers are adequate in light of the purposes and principles of the Act. Subsection 2.1(3) provides that the Commission may revoke a designation if the foregoing requirements are no longer adequate.

Section 2.2 deals with timing of filing of documents in accordance with the Proposed Rule and provides that they must be filed contemporaneously with or as soon as practicable after the filing or furnishing of the documents to the SEC or the foreign regulatory authority.

Subsection 2.3(1) provides that the documents filed in accordance with the Proposed Rule must be in the English language. However, under subsection 2.3(2), if a document was translated from a document in a language other than English, the original document must be filed. Under subsection 2.3(3) a SEC issuer or non-SEC issuer must deliver to the Commission a certificate of translation.

Part 3. Part 3 of the Proposed Rule permits persons and companies to satisfy the news release, material change reporting, financial statement, AIF and MD&A, proxy and proxy solicitation, early warning, insider reporting and communication with beneficial owners of securities requirements of the Act and the rules relating to SEC issuers by complying with U.S. federal securities law and filing documents filed with the SEC.

Section 3.1. Section 3.1 provides that a SEC issuer is exempt from subsection 75(1) of the Act if the issuer complies with the requirements of the U.S. stock exchange or Nasdaq or foreign disclosure requirements for making public disclosure of material information on a timely basis and issues in Canada and files each news release issued for the purpose of making public disclosure of material information.

Section 3.2. Section 3.2 provides that a SEC issuer is exempt from subsection 75(2) of the Act if the issuer complies with the requirements of the U.S. federal securities law for filing or furnishing current reports and files those reports with the Commission. The requirement under U.S. federal securities law to file a current report for SEC issuers is more limited than the requirement of securities legislation to disclose material changes. However, a SEC issuer's continuous disclosure record in Ontario would be the same as that in the U.S.

Section 3.3. Subsection 3.3(1) provides that a SEC issuer satisfies the requirements of securities legislation relating to the preparation, filing and sending of interim financial statements and relating to the preparation, certification, filing and sending of annual financial statements and auditor's reports if the issuer complies with the requirements of U.S. federal securities law and of the U.S. exchange on which its securities are listed or Nasdaq relating to quarterly and annual reports, files those reports with the Commission and either sends to each holder of voting securities and of restricted shares in Ontario, or disseminates in Ontario selected financial information from, each financial statement included in the report, in the manner and at the time required under U.S. federal securities law and the requirements of the exchange or Nasdaq. The requirements regarding the timing for filing these statements has been eliminated in order to maintain consistency with NI 71-101 and proposed Foreign Issuer Disclosure and Prospectus System and with U.S. federal securities law under which foreign issuers are only required to file annual financial statements after they are filed or required to be filed with their home jurisdiction, provided it is within six months of the fiscal year end. This relief addresses the fact that issuers will not normally change the timing of their annual audit to meet foreign requirements.

In addition, this subsection consolidates and simplifies the various provisions in the Order and the Rules that dealt with the preparation, certification, filing and delivery of interim and annual financial statements.

Subsection 3.3(2) provides that despite subsection 3.3(1), subsection 1(4) of the Regulation applies to financial statements filed in accordance with subsection 3.3(1). Subsection 5.1(1) is a transitional provision that provides, in effect, that a SEC issuer must begin complying with subsection 1(4) of the Regulation the first time annual financial statements are filed after the effective date of the Proposed Rule. The Order and the Rules provided for an exemption from subsection 1(4) for Category D issuers incorporated, organized

¹ See, for example, section 2.14 of Multilateral Instrument 45-102.

or continued under the laws of the U.S. or a state or territory of the U.S.

Section 3.4. Section 3.4 permits SEC issuers to satisfy requirements of securities legislation to file an AIF and MD&A by complying with the requirements of U.S. federal securities law relating to annual reports, quarterly reports and management's discussion and analysis, filing each annual report, quarterly report and management's discussion and analysis and sending each annual report, quarterly report and management's discussion and analysis to holders of voting securities and of restricted shares in Ontario in the manner and at the time required by U.S. federal securities law. This section is new and no similar provision is contained in Policy 7.1, the Order or the Rules. Rule 51-501 permits issuers, both domestic and foreign, to file a Form 10-K or Form 20-F as an AIF. The relief provided for SEC issuers is slightly different in that section 2.2 of the Proposed Rule requires the issuer to file the annual report contemporaneously with or as soon as practicable after the filing or furnishing of the document to the SEC, which in the case of U.S. domestic issuers would be within 90 days of the financial year end and of foreign private issuers would be within 180 days of the financial year end. Section 2.1 of Rule 51-501 requires the annual report to be filed within 140 days of the financial year end. A Form 10-K or Form 20-F must be filed the earlier of the date that is 140 days after the end of the financial year and a date that is nearly as practicable contemporaneously with the filing with the SEC. The result is that Canadian domestic issuers must file a Form 20-F under Rule 51-501 within 140 days after the financial year end whereas foreign private issuers that are SEC issuers under the Proposed Rule must file a Form 20-F within 180 days after the financial year end.

Section 3.5. Section 3.5 permits a SEC issuer that has a class of securities registered under section 12 of the 1934 Act to satisfy the requirements of securities legislation relating to information circulars, proxies and proxy solicitation by complying with the requirements of U.S. federal securities law relating to proxy statements, proxies and proxy solicitation, filing all documents relating to the meeting that is filed with or furnished to the SEC and sending the documents to each security holder in Ontario in the manner and at the time required by U.S. federal securities law and the requirements of the U.S. exchange on which its securities are listed or Nasdaq.

Section 3.6. Section 3.6 permits a person or company, other than the issuer, to satisfy the requirements of securities legislation relating to information circulars, proxies and proxy solicitation with respect to a SEC issuer that has a class of securities registered under section 12 of the 1934 Act by complying with the requirements in paragraph 3.5(a), (b) and (c) of the Proposed Rule.

Section 3.7. Section 3.7 presumes that outstanding voting securities carrying 50 percent or less of the votes for the election of directors are owned of record directly or indirectly by residents of Canada if the person or company making a proxy solicitation under section 3.6 of the Proposed Rule does not have access to the list of security holders of the issuer and none of the three conditions in section 3.7 are met.

Section 3.8. Section 3.8 grants an exemption from Rule 54-501 Prospectus Disclosure in Certain Information Circulars

("Rule 54-501") to a person or company filing and sending documents in accordance with section 3.5 or 3.6.

Section 3.9. Section 3.9 provides that if a SEC issuer complies with paragraphs 3.5(a), (b) and (c) of the Proposed Rule, the annual report filing requirement under subsection 81(2) of the Act does not apply.

Section 3.10. Subsection 3.10(1) grants an exemption from National Instrument 62-102 Disclosure of Outstanding Share Data ("NI 62-102") to a SEC issuer that has a class of securities registered under section 12 of the 1934 Act if the issuer complies with U.S. federal securities law relating to disclosure of outstanding share data. Subsection 3.10(2) grants an exemption from the early warning provisions in respect of securities of a SEC issuer that has a class of securities registered under section 12 of the 1934 Act if the person or company complies with U.S. federal securities law relating to reporting of beneficial ownership of equity securities.

Section 3.11. Section 3.11 provides an exemption from the insider reporting requirements to an insider of a SEC issuer that has a class of securities registered under section 12 of the 1934 Act, if the SEC issuer is not a SEDI issuer, the insider complies with the requirements of U.S. federal securities law regarding insider reporting and the insider files each insider report that is required to be filed with the SEC.

Section 3.12. Section 3.12 provides that a SEC issuer satisfies the requirements of securities legislation relating to communications with, delivery of materials to and conferring voting rights upon non-registered holders of its securities by complying with certain requirements of the 1934 Act and of the rule that incorporates by reference NP 41 or any successor instrument with respect to fees.

Section 3.13. Section 3.13 provides that despite the provisions of Part 3, National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") applies to a person or company filing a disclosure document in accordance with Part 3.

The Commission does not propose to grant relief from NI 43-101 given that it is a new instrument developed by the CSA with significant input from the mining industry and Commission staff has not had sufficient experience as of yet to recommend whether and to what extent relief from NI 43-101 should be granted to foreign issuers.

Section 3.14. Section 3.14 provides that a SEC issuer satisfies the requirements of National Instrument 52-101 Future-Oriented Financial Information ("NI 52-101") by complying with the requirements of U.S. federal securities law relating to future-oriented financial information.

Sections 3.15, 3.16, 3.17 and 3.18. Sections 3.15, 3.16, 3.17 and 3.18 provide that a SEC issuer satisfies the requirements of National Instrument 52-102 Use of Currencies ("NI 52-102"), National Instrument 52-103 Change of Auditor ("NI 52-103"), National Instrument 52-104 Auditor's Report ("NI 52-104") and National Instrument 52-105 Change in the Ending Date of a Financial Year ("NI 52-105") by complying with the comparable requirements of U.S. federal securities law.

Sections 3.13 to 3.18, inclusive, are new and no similar provisions are contained in Policy 7.1 or the Order and the Rules. The national instruments referred to in sections 3.14 to 3.18, inclusive, are not in force as of the date of this notice. A SEC issuer would be able to rely on an exemption in section 3.14 to 3.18 once the relevant national instrument is in force.

Section 3.19. Subsection 3.19(1) grants an exemption from Rule 56-501 with respect to a SEC issuer. Subsection 3.19(2) provides that despite subsection (1), section 2.3, other than paragraph 2.3(1)6., of Rule 56-501 applies to a preliminary prospectus or prospectus filed by a SEC issuer and a securities exchange take-over bid circular filed by a SEC issuer, if the offeree issuer is not a SEC issuer or non-SEC issuer.

Section 3.20. Section 3.20 grants an exemption from Rule 61-501 to an insider bid or issuer bid for securities of a SEC issuer and to a SEC issuer carrying out a going private transaction or related party transaction.

Part 4. Part 4 of the Proposed Rule provides that persons and companies satisfy certain reporting requirements of securities legislation relating to non-SEC issuers by complying with the comparable foreign disclosure requirements of a designated foreign jurisdiction. Part 4 of the Proposed Rule broadly extends the scope of relief granted to this category of reporting issuers from that provided in the Order and the Rules that it replaces.

Section 4.1. Section 4.1 provides that a non-SEC issuer is exempt from subsection 75(1) of the Act if the issuer complies with the foreign disclosure requirements for making public disclosure of material information on a timely basis and issues in Canada and files each news release issued for the purpose of complying with the requirements.

Section 4.2. Section 4.2 provides that a non-SEC issuer is exempt from subsection 75(2) of the Act if the issuer complies with the foreign disclosure requirements relating to disclosure of material information and files the documents filed with or furnished to the foreign regulatory authority.

Section 4.3. Section 4.3 provides that a non-SEC issuer satisfies the requirements of securities legislation relating to the preparation, filing and sending of interim financial statements and relating to the preparation, certification, filing and sending of annual financial statements and auditor's reports on annual financial statements if the issuer complies with the foreign disclosure requirements relating to interim and annual financial statements and auditor's reports, files these statements and sends to each holder of voting securities or of restricted shares in Ontario, or disseminates in Ontario selected financial information from, each financial statement required to be filed under paragraph 4.3(1)(b), in the manner and at the time required under foreign disclosure requirements.

Subsection 4.3(2) states that subsection 1(4) of the Regulation applies to financial statements filed in accordance with subsection 4.3(1). Subsection 5.1(2) is a transitional provision that provides, in effect, that a non-SEC issuer must begin complying with subsection 1(4) of the Regulation the first time annual financial statements are filed after the effective date of the Proposed Rule.

Section 4.4. Section 4.4 provides that a non-SEC issuer satisfies the requirements of securities legislation to file an AIF, other than an AIF under National Instrument 44-101 Short Form Prospectus Distributions ("NI 44-101"), and MD&A by complying with the foreign disclosure requirements relating to annual reports, quarterly reports and management's discussion and analysis, filing each annual report, quarterly report and management's discussion and analysis, and sending the annual report, quarterly report and management's discussion and analysis to holders of voting securities and of restricted shares in Ontario in the manner and at the time required by foreign disclosure requirements. As stated earlier, this section is new and no similar provision is contained in Policy 7.1, the Order or the Rules.

Section 4.5. Section 4.5 provides that a non-SEC issuer satisfies the requirements of securities legislation relating to information circulars, proxies and proxy solicitation by complying with the foreign disclosure requirements relating to proxy statements, proxies and proxy solicitation, filing all documents relating to the meeting and sending each document to security holders in Ontario in the manner and at the time required by foreign disclosure requirements.

Section 4.6. Section 4.6 provides that a person or company, other than the issuer, satisfies the requirements of securities legislation relating to information circulars, proxies and proxy solicitation with respect to a non-SEC issuer by complying with the requirements in paragraphs 4.5(a), (b) and (c) of the Proposed Rule.

Section 4.7. Section 4.7 presumes that outstanding voting securities carrying 50 percent or less of the votes for the election of directors are owned of record directly or indirectly by residents of Canada if the person or company making the proxy solicitation under section 4.6 does not have access to the list of security holders of the issuer and none of the conditions in section 4.7 are met.

Section 4.8. Section 4.8 grants an exemption from Rule 54-501 to a person or company filing and sending documents in accordance with section 4.5 or 4.6 of the Proposed Rule.

Section 4.9. Section 4.9 provides that if a non-SEC issuer complies with paragraphs 4.5(a), (b) and (c) of the Proposed Rule, the annual report filing requirement under subsection 81(2) of the Act does not apply.

Section 4.10. Subsection 4.10(1) grants an exemption from NI 62-102 to a non-SEC issuer if the issuer complies with foreign disclosure requirements relating to disclosure of outstanding share data. Subsection 4.10(2) grants an exemption to a person or company from the early warning provisions in respect of securities of a non-SEC issuer if the person or company complies with securities legislation relating to reporting of beneficial ownership of equity securities.

Section 4.11. Section 4.11 provides an exemption from the insider reporting requirements to an insider of a non-SEC issuer, if the non-SEC issuer is not a SEDI issuer, the insider complies with the foreign disclosure requirements regarding insider reporting and the insider files each insider report required to be filed with the foreign regulatory authority.

Section 4.12. Section 4.12 provides that a non-SEC issuer satisfies the requirements of securities legislation relating to the communication with, delivery of materials to and conferring rights upon non-registered holders of its securities by complying with foreign disclosure requirements and of the rule that incorporates NP 41 or any successor instrument with respect to fees.

Section 4.13. Section 4.13 clarifies that despite the provisions of Part 4, NI 43-101 applies to a person or company filing a disclosure document in accordance with Part 4.

Section 4.14. Section 4.14 provides that a non-SEC issuer satisfies the requirements of NI 52-101 by complying with the foreign disclosure requirements relating to future-oriented financial information.

Sections 4.15, 4.16, 4.17 and 4.18. Sections 4.15, 4.16, 4.17 and 4.18 provide that a non-SEC issuer satisfies the requirements of NI 52-102, NI 52-103, NI 52-104 and NI 52-105, respectively, by complying with the comparable foreign disclosure requirements.

The national instruments referred to in sections 4.14 to 4.18, inclusive, are not in force as of the date of this notice. A non-SEC issuer would be able to rely on an exemption in section 4.14 to 4.18 once the relevant national instrument is in force.

Section 4.19. Subsection 4.19(1) grants an exemption from Rule 56-501 in respect of a non-SEC issuer. Subsection 4.19(2) provides that despite subsection (1), section 2.3, other than paragraph 2.3(1)6., of Rule 56-501 applies to a preliminary prospectus or prospectus filed by a non-SEC issuer and a securities exchange take-over bid circular filed by a non-SEC issuer, if the offeree issuer is not a SEC issuer or non-SEC issuer.

Section 4.20. Section 4.20 grants an exemption from Rule 61-501 to an insider bid or issuer bid for securities of a non-SEC issuer and to a non-SEC issuer carrying out a going private transaction or related party transaction.

Part 5. Subsections 5.1(1) and (2) are transitional provisions relating to the requirement to comply with subsection 1(4) of the Regulation. Subsection 5.1(3) extends the relief granted by Policy 7.1, the Order and the Rules to Category E reporting issuers to July 1, 2004 and expands the scope of the relief.

Part 6. Section 6.1 provides that the Director may grant an exemption to the Proposed Rule, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

Part 7. Section 7.1 provides that the effective date of the Proposed Rule is July 1, 2002.

Summary of the Proposed Policy

The purpose of the Proposed Policy is to provide information relating to the manner in which the provisions of the Proposed Rule are intended to be interpreted or applied by the Commission.

Section 1.1 Subsection 1.1(1) states that the Proposed Rule provides that certain persons and companies satisfy the requirements of securities legislation in Ontario relating to news releases, material change reports, financial statements, AIF and MD&A, proxy solicitation, early warning, insider reporting and communication with beneficial owners of securities with respect to a foreign issuer by complying with corresponding requirements of the securities laws of a specified foreign jurisdiction.

Subsection 1.1(2) comments that some of the exemptive relief granted extends to disclosure in prospectuses, bid circulars and other documents and to the conduct of a bid or other transaction.

Subsection 1.1(3) notes that the purpose of the Proposed Rule is to reduce unnecessary and duplicative regulation for foreign issuers while at the same time providing Ontario investors with adequate disclosure on which to base investment decisions. It further notes that the Proposed Rule may facilitate listings on the TSE and Ontario public offerings by foreign issuers.

Subsections 1.1(4) and (5) provide interpretation of the definitions of foreign issuer, non-SEC issuer and SEC issuer.

Section 1.2 Subsection 1.2(1) compares the scope of exemptive relief granted by NI 71-101 and the Rule.

Subsection 1.2(2) points out that U.S. domestic issuers may choose to use the exemptions provided in the Rule or NI 71-101 and Rule 71-801, the Implementing Rule for National Instrument 71-101 and provides an example of relief granted by NI 71-101 that goes beyond the relief granted by the Proposed Rule.

Subsection 1.2(3) discusses the interrelationship between the Rule and Rule 56-501 for SEC issuers using NI 71-101.

Section 2.1 Section 2.1 clarifies that an obligation only arises under subsection 75(1) of the Act if a material change as defined in the Act occurs. However, a SEC issuer is exempt from subsection 75(1) if the issuer issues in Canada and files each news release disclosing material information even if the material information does not constitute a material change.

Sections 2.2 and 2.3 Sections 2.2 and 2.3 discuss the exemptions granted by sections 3.3 and 4.3 of the Proposed Rule relating to the interim financial statements and annual financial statements and comment on the requirements of sections 77, 78 and 79 of the Act and Rule 52-501.

Section 2.4 Subsection 2.4(1) comments that there is no requirement to reconcile annual or interim financial statements in documents filed in accordance with the Proposed Rule to Canadian GAAP. Subsection 2.4(2) states that subsections 3.3(2) and 4.3(2) of the Proposed Rule provide that the requirement in subsection 1(4) of the Regulation to state in the notes to the financial statements which option has been

applied in the choice of generally accepted accounting principles applies to financial statements filed in accordance with the Proposed Rule and notes the transitional provisions in subsections 5.1(1) and (2) of the Proposed Rule.

Section 2.5 Section 2.5 comments that sections 3.4 and 4.4 of the Proposed Rule grant an exemption from Rule 51-501 for eligible foreign issuers if certain conditions are met.

Section 2.6 Section 2.6 discusses the information circular and annual filing exemptions granted by the Proposed Rule. Subsection 2.6(2) points out that the exemptions from Rule 54-501 in sections 3.8 and 4.8 of the Proposed Rule are not available to a domestic reporting issuer if a meeting is being held to consider a statutory amalgamation, statutory arrangement, statutory merger or reorganization involving a SEC issuer or non-SEC issuer and a domestic reporting issuer.

Section 2.7 Section 2.7 provides an example to illustrate that the exemption in subsection 3.10(2) of the Proposed Rule from the early warning provisions is conditional upon the person or company filing with the Commission all reports of beneficial ownership of equity securities filed with the SEC.

Section 2.8 Subsection 2.8(2) explains that insiders of foreign issuers (SEDAR) that voluntarily file under National Instrument 13-101 System for Electronic Document Analysis and Retrieval (SEDAR) are required to file insider reports under National Instrument 55-102 System for Electronic Data on Insiders (SEDI). Insiders of non-SEDAR filers may file the reports they file under section 4.11 of the Proposed Rule in paper form.

Section 2.9 Section 2.9 comments that the financial disclosure exemptions in sections 3.14, 3.15, 3.16, 3.17, 3.18, 4.14, 4.15, 4.16, 4.17 and 4.18 of the Proposed Rule extend to disclosure in prospectuses, information circulars, bid circulars and other documents in addition to financial statements, annual information forms and MD&A.

Section 2.10 Section 2.10 comments that sections 3.19 and 4.19 of the Proposed Rule grant an exemption from Rule 56-501 in respect of a SEC issuer and non-SEC issuer, respectively, and sets out the exceptions to the exemptive relief granted from the requirements of Rule 56-501.

Section 2.11 Section 2.11 comments that sections 3.20 and 4.20 of the Proposed Rule grant an exemption from Rule 61-501 in respect of SEC issuers and non-SEC issuers, respectively, and gives two examples of the application of the exemption to going private transactions and related party transactions.

Section 2.12 Section 2.12 comments that the exemptions in the Proposed Rule are not available if the foreign issuer is not a SEC issuer or non-SEC issuer as defined in the Proposed Rule.

Section 2.13 Section 2.13 discusses the transitional relief granted to category E reporting issuers.

Authority for Proposed Rule

Paragraph 143(1)36 of the Act authorizes the Commission to make rules varying the Act to foreign issuers to facilitate, among other things, compliance with requirements applicable or relating to reporting issuers and the making of issuer bids, insider bids, going private transactions and related party transactions where the foreign issuers are subject to requirements of the laws of other jurisdictions that the Commission considers are adequate in light of the purposes and principles of the Act provides the Commission with the authority to make the Proposed Rule.

The following provisions of the Act also provide the Commission with authority to make the Proposed Rule. Paragraph 143(1)22 authorizes the Commission to make rules prescribing requirements in respect of the preparation and dissemination and other use, by reporting issuers, of documents providing for continuous disclosure that are in addition to requirements under the Act. Paragraph 143(1)23 authorizes the Commission to make rules exempting reporting issuers from any requirement of Part XVIII of the Act. Paragraph 143(1)25 authorizes the Commission to make rules prescribing requirements in respect of financial accounting, reporting and auditing for purposes of the Act, the regulations and the rules. Paragraph 143(1)26 authorizes the Commission to make rules prescribing requirements for the validity and solicitation of proxies. Paragraph 143(1)27 authorizes the Commission to make rules providing for the application of Part XVIII (Continuous Disclosure) and Part XIX (Proxies and Proxy Solicitation) in respect of registered holders or beneficial owners of voting securities or equity securities of reporting issuers or other persons or companies on behalf of whom the securities are held, including requirements for reporting issuers, recognized clearing agencies, registered holders, registrants and other persons or companies who hold securities on behalf of persons or companies but who are not the registered holders. Paragraph 143(1)28 authorizes the Commission to make rules regulating take-over bids, issuer bids, insider bids, going private transactions and related party transactions, including early warning provisions. Paragraph 143(1)30 authorizes the Commission to make rules providing for exemptions from any requirement of Part XXI (Insider Trading and Self-Dealing) of the Act. Paragraph 143(1)39 authorizes the Commission to make rules requiring or respecting the media, format, preparation, form, content, execution, certification, dissemination and other use, filing and review of all documents required under or governed by the Act, the regulations or the rules, including financial statements, proxies and information circulars. Paragraph 143(1)49 authorizes the Commission to make rules varying the Act to permit or require methods of filing or delivery, to or by issuers, security holders or others, of documents, information, reports or other communications required under or governed by Ontario securities law. Paragraph 143(1)56 authorizes the Commission to make rules providing for exemptions from or varying any or all of the time periods in the Act.

Alternatives Considered

The Commission considered whether to rescind Policy 7.1, the Order and the Rules and rely upon the continuous disclosure regime created by NI 71-101 and that contemplated by CSA Notice 5 outlining the proposed Foreign Issuer Prospectus and Continuous Disclosure System or amend the Act or make a rule to create a separate foreign issuer continuous disclosure regime. The Commission determined to reformulate Policy 7.1, the Order and the Rules as a rule in a substantially simplified form. The continuous disclosure and other relief granted by the Proposed Rule is substantially broader than that granted by NI 71-101 or contemplated by the proposed Foreign Issuer Prospectus and Continuous Disclosure System in that it permits eligible foreign issuers that are not SEC registrants to file home country disclosure in lieu of documents in the form filed by domestic issuers.

Unpublished Materials

In proposing the Proposed Rule, the Commission has not relied on any significant unpublished study, report, or other written materials other than the self-assessments prepared by IOSCO members of compliance with the *Objectives and Principles of Securities Regulation* published by IOSCO in September 1998.

Anticipated Costs and Benefits

The benefit provided by the Proposed Rule is the reduction of duplicative regulation and the consequent increased access to the Ontario capital markets by foreign issuers. It also may be in the interests of Ontario investors to have greater access to securities of foreign issuers through listings on the TSE or prospectus offerings in Ontario.

The Proposed Rule imposes no material costs on foreign issuers, but rather seeks to reduce costs and duplicative regulation.

Regulations to be Amended

The Commission proposes to amend subsection 1(4) to delete the reference to the First Rule and amend section 161 of the Regulation to refer to the Proposed Rule rather than the First Rule.

The Commission also proposes to amend the following provisions of the Regulation to refer to the Proposed Rule in order to create an exemption to the requirements contained in those provisions:

1. subsection 2(1);
2. subsection 2(2);
3. subsection 2(5);
4. subsection 176(1);
5. subsection 176(3);
6. subsection 176(9);
7. subsection 177(0.1);
8. section 178;
9. section 179;
10. subsection 180(2);
11. subsection 181; and
12. subsection 203.2(1).

Specific Requests for Comment

In addition to welcoming submissions on any provision of the Proposed Rule and Proposed Policy, the Commission seeks comment on the specific matters referred to below.

Definition of non-SEC issuer

Paragraph (d) of the definition of non-SEC issuer requires that the equity securities of a foreign issuer owned of record directly or indirectly by residents of Canada not exceed ten percent of the equity securities of the issuer on a fully diluted basis. Comment is sought as to whether this threshold is appropriate and if not what threshold would be appropriate and why.

Designated Foreign Jurisdictions

Section 2.1 of the Proposed Rule lists the foreign jurisdictions the Commission proposes to initially designate. Comment is sought as to whether the foreign jurisdictions designated are appropriate and whether other foreign jurisdictions should be designated in the Proposed Rule. If others are suggested, please provide justification for inclusion of the foreign jurisdictions.

Scope of Relief Granted

The Commission requests comment on whether the scope of the exemptions set out in the Proposed Rule is sufficient. Is there other relief that should be granted? If so, please explain what specific additional relief should be granted and the justification therefor.

Comments

Interested parties are invited to make written submissions with respect to the Proposed Rule and Proposed Policy. Submissions received no later than January 11, 2002 will be considered. Given that the date of expiry of the Rules implementing Policy 7.1 is July 1, 2002, submissions received after January 11, 2002 cannot be considered.

Submissions should be made in duplicate to:

c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 800, Box 55
Toronto, Ontario M5H 3S8

A diskette containing the submissions (in DOS or Windows format, preferably WordPerfect) should also be submitted. Comment letters submitted in response to requests for comment are placed on the public file and form part of the public record, unless confidentiality is requested. Although comment letters requesting confidentiality will not be placed on the public file, freedom of information legislation may require the Commission to make some letters available. Persons submitting comment letters should therefore be aware that the press and members of the public may be able to obtain access to any comment letters.

Questions may be referred to:

Kathy Soden or Joan Beck
Ontario Securities Commission
(416) 593-8149/(416) 593-8254
ksoden@osc.gov.on.ca
jbeck@osc.gov.on.ca

Text of Proposed Rule and Proposed Policy

The text of the Proposed Rule and Proposed Policy follow, together with footnotes that are not part of the Proposed Rule or Proposed Policy but have been included to provide background and explanation.

Text of Proposed Rescission of OSC Policy 7.1, the Order and the Rules

The text of the proposed rescission of OSC Policy 7.1, the Order and the Rules follows.

DATED: October 12, 2001.

SCHEDULE A

ONTARIO SECURITIES COMMISSION
RULE 72-502
CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS
RELATING TO FOREIGN ISSUERS

SEC FOREIGN PRIVATE ISSUER CONTINUOUS
DISCLOSURE REGIME

(1) The SEC has a separate disclosure regime for foreign private (non-government) issuers. The following sets out some of the reporting obligations for foreign private issuers:

(a) **Annual Reports on Form 20-F** - Form 20-F must be filed on an annual basis, within six months of the end of the fiscal year covered by the report, by all foreign private issuers (i) with a class of securities registered under the 1934 Act or (ii) who have made a public offering registered under the 1933 Act, but only if the securities sold to the public are held by 300 or more persons at the beginning of such fiscal year (except in the case of the year in which the securities are registered).

(b) **Interim Reports** - Foreign private issuers are required by U.S. federal securities law to file only annual reports. U.S. issuers are required to file quarterly reports on Form 10-Q. However, if foreign private issuers make interim reports available for legal reasons or as a matter of practice, they are required to be furnished to the SEC on Form 6-K. In addition, U.S. stock exchanges and markets usually require at least semi-annual financial reporting as a condition of listing or quotation.

(c) **Current Reports on Form 6-K** - Form 6-K requires that a foreign private issuer promptly furnish to the SEC and to each U.S. stock exchange on which its securities are listed significant information about the issuer or its subsidiaries that (i) must be made public in its country of domicile or incorporation pursuant to the law of that country, (ii) is filed with any foreign stock exchange on which its securities are listed and made public by such exchange or (iii) is distributed to its securityholders.

The information required to be furnished is that which is material with respect to the issuer and its subsidiaries concerning: changes in business, changes in management or control; acquisitions or dispositions of assets; bankruptcy or receivership; changes in registrant's certifying accountants; defaults upon senior securities; material increases or decreases in the amounts outstanding of securities or indebtedness; the results of the submission of matters to a vote of securityholders; transactions with directors, officers or principal securityholders; the granting of options or payments of other compensation to directors or officers; and any other

information which the registrant deems of material importance to investors.

(2) Foreign private issuers are exempt from the proxy requirements of the 1934 Act.

(3) Officers, directors and ten percent shareholders are not required to file insider reports under section 16 of the 1934 Act although beneficial ownership reports (analogous to early warning reports) may be required under section 13 of the 1934 Act.

(4) Foreign private issuers are also not required to comply with the Regulation FD, the SEC's prohibition on selective disclosure of material information.

(5) Item 17 of Form 20-F requires the inclusion of a balance sheet as of the end of each of the two most recent fiscal years and consolidated statements of income, statements of cash flows and statements of other stockholders' equity for each of the two most recent fiscal years preceding the date of the audited balance sheet being filed. If the financial statements are not prepared in accordance with U.S. GAAP, they must be reconciled to U.S. GAAP on a quantitative basis.

Interim statements furnished on Form 6-K are not required to be reconciled to U.S. GAAP unless they are incorporated by reference into a registration statement to which a reconciliation requirement applies.

**SCHEDULE B
ONTARIO SECURITIES COMMISSION
RULE 72-502
CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS
RELATING TO FOREIGN ISSUERS**

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7.1 - Rule (4) reporting issuer interim financial statement certification exemption	not retained (section 161 of Regulation amended) Rule 52- 501 Financial Statements does not require certification of interim financial statements
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Policy 7.1 Rule

7.1 - Rule (12) category D insider reporting exemption

7.1 - Addendum Rule (1) category D U.S. issuer section 1(4) Regulation exemption

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Policy 7.1 F category D proxy statements

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Section 3.11 Insider Reporting

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Section 3.3(1) Financial Statements requirement to send interim statements to security holders within 60 days not retained

Section 3.5 Proxy Solicitation by the Issuer

¹ The non-SEC issuer definition is broader than category E reporting issuer in that it covers foreign issuers that became a reporting issuer by filing a prospectus, filing a securities exchange take-over bid circular before December 14, 1999 or listing on the TSE rather than just foreign issuers with securities listed on the TSE. Further, the non-SEC issuer *de minimis* test is no more than 10 percent of equity securities held by residents of Canada while the category E reporting issuer test is no more than five percent of the registered holders of the class of securities listed on the TSE are residents of Canada and the number of registered Canadian holders does not exceed 300. However, the exemptive relief granted to non-SEC issuers is narrower in that the Category E reporting issuer exemptions are not conditioned upon an issuer being subject to disclosure requirements of a designated foreign jurisdiction. Subsection 5.1(3) of the Rule extends the exemptive relief granted to Category E reporting issuers to July 1, 2004 and expands the scope of the relief.

**ONTARIO SECURITIES COMMISSION RULE 72-502
CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS
RELATING TO FOREIGN ISSUERS**

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**ONTARIO SECURITIES COMMISSION RULE 72-502
CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS
RELATING TO FOREIGN ISSUERS²**

PART 1 DEFINITIONS AND INTERPRETATION³

This proposed Rule would replace OSC Policy No. 7.1, an order of the Commission (1980) OSCB 54, the Rule *In the Matter of Certain Reporting Issuers*, (1980) OSCB 166, the Rule *In the Matter of Certain Reporting Issuers*, (1984), 7 OSCB 1913 and the Rule *In the Matter of Certain Reporting Issuers*, (1984), 7 OSCB 3247. Each of these rules came into force on March 1, 1997 and notice was provided at (1997), 20 OSCB 1186. These rules incorporate by reference Blanket Rulings of the same name. The expiration date of the rules was extended and notice published at (1998), 21 OSCB 6436 and (1999), 22 OSCB 6304. As published in a notice at (2000), 23 OSCB 289, the expiration date of the rules was further extended to July 1, 2002. The rules were amended in 2000 and notice published in (2000) 23 OSCB 8244. It is proposed that OSC Policy 7.1, the 1980 order and the 1997 rules, as amended, be rescinded on the effective date of the proposed Rule. The title of the proposed Rule has been changed to be more descriptive of the relief provided by the Rule. The Blanket Order *In the Matter of Certain Reporting Issuers* (1985), 8 OSCB 2915 which related to prompt offering qualification system eligible issuers expired on December 31, 2000. The relief granted by paragraph (9) of *In the Matter of Parts XVII and XX of the Securities Act* and *In the Matter of Certain Reporting Issuers* (1980) OSCB 54 from section 79 of the Act with respect to financial statements required to be distributed to security holders under the laws of the jurisdiction of incorporation, continuance or organization of the issuer is proposed to be retained by amending Rule 52-501 to provide for that relief. The relief granted by paragraph (10) of that order from the obligation to send financial statements to the holders of securities other than voting securities and restricted shares is also proposed to be retained by amending Rule 52-501. It is proposed that section 6 of the Regulation be amended to delete all of that section other than paragraph 6(1)(a) and replace it by Rule 51-503 Supplementary SEC Filings that requires domestic reporting issuers to file a document filed or furnished to the SEC under the 1933 Act or 1934 Act if the document contains information that has not been included in a document filed under another requirement of securities legislation. It is proposed that OSC Policy 51-603 Reciprocal Filings be rescinded. OSC Policy 51-603 states that all reporting issuers that are subject to SEC filing requirements shall file certain documents concurrently with the filing of the documents with the SEC.

It will be necessary for foreign issuers that have existing exemptions from continuous disclosure and other requirements under Commission rulings to review the requirements to which they are subject in light of the reformulation process. Some exemptions may continue to be valid. However, the requirements to which the issuers are subject may have changed with the reformulation process.

A general definition rule has been adopted as Rule 14-501 Definitions. It contains definitions of certain terms used in more than one rule. That rule also provides, among other things, that terms used in a rule and defined in section 1 of the Securities Act or subsection 1(2) of the

1.1 Definitions - In this Rule

"category E reporting issuer" means a reporting issuer

- (a) that is not incorporated, continued or organized under the laws of Canada or a province or territory of Canada,
- (b) that is not a SEC issuer or non-SEC issuer,
- (c) that became a reporting issuer solely by listing securities on the TSE before July 1, 2002,
- (d) of which the total number of securities of the class listed on the TSE registered in the names of residents of Canada does not exceed five percent of the total number of issued and outstanding securities of the class, and
- (e) of which the total number of holders of securities of the class listed on the TSE registered in the names of residents of Canada does not exceed 300;

"convertible security" means a security of an issuer that is convertible into, or carries the right of the holder to purchase or otherwise acquire, or of the issuer to cause the purchase or acquisition of, a security of the same issuer;

"designated foreign jurisdiction" means a foreign jurisdiction designated by the Commission under subsection 2.1(1) or (2) if the Commission has not revoked the designation under subsection 2.1(3);⁴

"exchangeable security" means a security of an issuer that is exchangeable for, or carries the right of the holder to purchase or otherwise acquire, or of the issuer to cause the purchase or acquisition of, a security of another issuer;

"early warning provisions" means

- (a) the requirements to issue and file news releases under subsections 101(1) and (2) of the Act,
- (b) the requirements to file reports under subsections 101(1) and (2) of the Act,
- (c) the moratorium provisions of subsection 101(3) of the Act, and

Regulation will have the respective meanings given to them in the Securities Act or Regulation. Rule 14-501 also incorporates terms defined in National Instrument 14-101 Definitions and contains, among other things, definitions for terms used in more than one national or multilateral instrument.

The term "foreign jurisdiction" is defined in National Instrument 14-101 Definitions as "means a country other than Canada or a political subdivision of a country other than Canada".

(d) the requirements of NI 62-103;

"foreign disclosure requirements" means the requirements to which a foreign issuer is subject concerning disclosure made to a foreign regulatory authority

- (a) relating to the foreign issuer and its securities, and
- (b) that is made publicly available in the foreign jurisdiction under
 - (i) the securities laws of the foreign jurisdiction in which the principal trading market of the foreign issuer is located, or
 - (ii) the rules of the exchange or other market that is the principal trading market of the foreign issuer;

"foreign issuer" means an issuer that is not incorporated or organized under the laws of Canada or a jurisdiction,⁵ unless

- (a) outstanding voting securities carrying more than 50 percent of the votes for the election of directors are owned of record directly or indirectly by residents of Canada, and
- (b) any one or more of
 - (i) the majority of the senior officers or directors of the issuer are residents of Canada,
 - (ii) more than 50 percent of the assets of the issuer are located in Canada, or
 - (iii) the business of the issuer is administered principally in Canada;

"foreign regulatory authority" means a securities commission, stock exchange or other securities market regulatory authority in a designated foreign jurisdiction;

"multiple convertible security" means a security of an issuer that is convertible into, or exchangeable for, or carries the right of the holder to purchase or otherwise acquire, or of the issuer to cause the purchase or acquisition of, a convertible security, an exchangeable security or another multiple convertible security;

"Nasdaq" means Nasdaq National Market and Nasdaq SmallCap Market;

"NI 43-101" means National Instrument 43-101 Standards of Disclosure for Mineral Projects;

"NI 52-101" means National Instrument 52-101 Future-Oriented Financial Information;

"NI 52-102" means National Instrument 52-102 Use of Currencies;

"NI 52-103" means National Instrument 52-103 Change of Auditor;

"NI 52-104" means National Instrument 52-104 Auditor's Report;

"NI 52-105" means National Instrument 52-105 Change in the Ending Date of a Financial Year;

"NI 62-102" means National Instrument 62-102 Disclosure of Outstanding Share Data;

"NI 62-103" means National Instrument 62-103 The Early Warning System and Related Take-Over Bid and Insider Reporting Issues;

"non-SEC issuer" means a foreign issuer

- (a) that does not have a class of securities registered under section 12 of the 1934 Act and is not required to file reports with the SEC under subsection 15(d) of the 1934 Act,⁶
- (b) that is not a mutual fund or other investment company,
- (c) that is subject to the foreign disclosure requirements of a foreign regulatory authority, and
- (d) as at the beginning of the financial year of the issuer, the total number of whose equity securities owned of record directly or indirectly by residents of Canada does not exceed 10 percent of the total number of equity securities of the issuer;

"NP 41" means the rule entitled In the Matter of Certain Reporting Issuers that incorporates by reference National Policy Statement No. 41 Shareholder Communication;

"principal trading market" means the published securities market on which the greatest volume of trading in the equity securities of the issuer occurred during the financial year that ended before the date the determination is being made;

"restricted shares" has the meaning ascribed to that term in Rule 56-501;

⁵ The term "jurisdiction" is defined in National Instrument 14-101 Definitions as "means a province or territory of Canada except when used in the term foreign jurisdiction".

⁶ The term "1934 Act" is defined in National Instrument 14-101 as "means the *Securities Exchange Act of 1934* of the United States of America, as amended from time to time".

"Rule 52-501" means Rule 52-501 Financial Statements;

"Rule 54-501" means Rule 54-501 Prospectus Disclosure in Certain Information Circulars;

"Rule 56-501" means Rule 56-501 Restricted Shares;

"Rule 61-501" means Rule 61-501 Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions;

"SEC issuer" means a foreign issuer that

(a) has a class of securities registered under section 12⁷ of the 1934 Act or is required to file reports with the SEC under subsection 15(d) of the 1934 Act,⁸ and

(b) is not registered or required to be registered as an investment company under the Investment Company Act of 1940 of the United States of America;

"SEDI issuer" has the meaning ascribed to that term in National Instrument 55-102 System for Electronic Disclosure by Insiders (SEDI);

"TSE" means The Toronto Stock Exchange Inc.; and

"underlying security" means a security issued or transferred, or to be issued or transferred, in accordance with the terms of a convertible security, an exchangeable security or a multiple convertible security.

1.2 Interpretation - For the purposes of paragraph (d) of the definition of non-SEC issuer

The SEC has a separate disclosure regime that applies to foreign private issuers, which does not require the filing of all the continuous disclosure and other materials required of U.S. domestic issuers. Consequently, non-U.S. SEC issuers may not file the U.S. domestic form of documents under this Rule because they are not required to be filed in that form with the SEC. For example, a U.K. issuer that is an SEC registrant would not be required to file with the Commission the proxy statement required by U.K. law and, if applicable, stock exchange rules because the issuer is not required to file the proxy statements with the SEC.

National Instrument 71-101 The Multijurisdictional Disclosure System ("NI 71-101") also provides the same or broader relief from certain requirements as provided by this Rule for certain United States incorporated foreign issuers. U.S. incorporated SEC issuers have been included in this Rule to clarify the application of certain requirements such as NI 43-101, to grant additional relief not granted by NI 71-101, such as from the disclosure of outstanding share data and early warning provisions and to create a cohesive continuous disclosure regime for foreign issuers.

- (a) the calculation for the foreign issuer's first year as a reporting issuer shall be made at the date the foreign issuer becomes a reporting issuer rather than as at the beginning of the financial year of the issuer; and
- (b) in determining the percentage of equity securities owned of record directly or indirectly by residents of Canada include
 - (i) underlying securities that are equity securities of the foreign issuer, and
 - (ii) equity securities of the foreign issuer represented by an American depository receipt or an American depository share issued by a depository holding equity securities of the foreign issuer.

PART 2 GENERAL

2.1 Designation of Foreign Jurisdictions

- (1) The Commission designates Australia, France, Germany, Hong Kong, Italy, Japan, Mexico, The Netherlands, New Zealand, Singapore, South Africa, Spain, Sweden, Switzerland and the United Kingdom as designated foreign jurisdictions.
- (2) The Commission may designate additional foreign jurisdictions the continuous disclosure, AIF and MD&A, proxy and proxy solicitation, early warning, insider reporting requirements, communication with beneficial owners of securities, issuer bid, insider bid, going private transaction and related party transaction requirements of which the Commission considers are adequate in light of the purposes and principles of the Act.
- (3) The Commission may revoke the designation of a designated foreign jurisdiction if it considers that the continuous disclosure, AIF and MD&A, proxy and proxy solicitation, early warning, insider reporting requirements, communication with beneficial owners of securities, issuer bid, insider bid, going private transaction and related party transaction requirements of the foreign jurisdiction are not adequate in light of the purposes and principles of the Act.

2.2 Timing of Filing - A person or company filing a document in accordance with this Rule shall file the document contemporaneously with or as soon as practicable after the filing or furnishing of the document to the SEC or foreign regulatory authority.

2.3 Language of Filing

- (1) A document filed in accordance with this Rule shall be in the English language.
- (2) Despite subsection (1), if the document filed in accordance with this Rule was translated from a

document in a language other than English, the person or company required to file the document shall file the document upon which the translation was based.

- (3) A SEC issuer or non-SEC issuer filing a document upon which the translation was based under subsection (2) shall deliver to the Commission a certificate of translation from a lawyer, accountant or other translator.

PART 3 SEC ISSUERS

3.1 News Releases - A SEC issuer is exempt from subsection 75(1) of the Act if the issuer

- (a) complies with the requirements of the U.S. exchange on which its securities are listed or Nasdaq, as applicable, for making public disclosure of material information on a timely basis, if securities of the issuer are listed on a U.S. exchange or quoted on Nasdaq;
- (b) complies with foreign disclosure requirements for making public disclosure of material information on a timely basis, if securities of the issuer are not listed on a U.S. exchange or quoted on Nasdaq; and
- (c) issues in Canada and files each news release issued for the purpose of complying with the requirements referred to in paragraph (a) or (b).⁹

3.2 Material Change Reports - A SEC issuer is exempt from subsection 75(2) of the Act if the issuer

- (a) complies with the requirements of U.S. federal securities law¹⁰ for filing or furnishing current reports to the SEC; and
- (b) files the current report filed with or furnished to the SEC.

3.3 Financial Statements

- (1) A SEC issuer satisfies the requirements of securities legislation relating to the preparation, filing and sending of interim financial statements and relating to the preparation, certification, filing and sending of annual financial statements and

⁹ The news release disclosure requirements under the requirements of the U.S. exchanges or Nasdaq are generally broader than the requirements under the Act to disclose "material changes".

¹⁰ The term "U.S. federal securities law" is defined in National Instrument 14-101 as "means the federal statutes of the United States of America concerning the regulation of securities markets and trading in securities and the regulations, rules, forms and schedules under those statutes, all as amended from time to time".

auditor's reports on annual financial statements by¹¹

- (a) complying with the requirements of U.S. federal securities law relating to quarterly reports and annual reports;
- (b) complying with the requirements of the U.S. exchange on which securities of the issuer are listed or Nasdaq relating to annual financial statements and interim financial statements, if securities of the issuer are listed on a U.S. exchange or quoted on Nasdaq;
- (c) filing each quarterly report and annual report filed with or furnished to the SEC, a U.S. exchange or Nasdaq; and
- (d) sending to each holder of voting securities or of restricted shares whose last address as shown on the books of the SEC issuer is in Ontario, or disseminating in Ontario selected financial information from, each financial statement required to be filed under paragraph (c), in the manner and at the time required to be sent to security holders or disseminated under U.S. federal securities law and the requirements of the U.S. exchange on which securities of the issuer are listed or Nasdaq.

- (2) Despite subsection 3.3(1), subsection 1(4) of the Regulation applies to financial statements filed in accordance with subsection 3.3(1).¹²

3.4 AIFs and MD&A - A SEC issuer satisfies the requirements of securities legislation to file an AIF¹³ and MD&A¹⁴ by

¹¹ Under U.S. federal securities law foreign private issuers are only required to file annual financial statements after they are filed or required to be filed with their home jurisdiction, provided it is within six months of the fiscal year end. The relief provided addresses the fact that issuers will not normally change the timing of their annual audit to meet foreign requirements.

¹² Subsection 1(4) of the Regulation permits foreign issuers to present financial statements in accordance with generally accepted accounting principles in their home country, if the notes to the financial statements state which option has been applied in the choice of generally accepted accounting principles.

¹³ The term "AIF" is defined in Rule 14-501 as "means an annual information form filed under Ontario securities law".

¹⁴ The term "MD&A" is defined in Rule 14-501 as "means management's discussion and analysis of financial condition and results of operations prepared in accordance with Ontario securities law". The term "annual MD&A" is defined in Rule 51-501 AIF and MD&A as "means, for an issuer, a MD&A for the annual financial

- (a) complying with the requirements of U.S. federal securities law relating to annual reports, quarterly reports and management's discussion and analysis;
- (b) filing each annual report, quarterly report and management's discussion and analysis filed with or furnished to the SEC; and
- (c) sending each annual report, quarterly report and management's discussion and analysis to each holder of voting securities and of restricted shares whose last address as shown on the books of the SEC issuer is in Ontario in the manner and at the time required by U.S. federal securities law.¹⁵

3.5 Proxy Solicitation by the Issuer - A SEC issuer that has a class of securities registered under section 12 of the 1934 Act satisfies the requirements of securities legislation relating to information circulars, proxies and proxy solicitation by

- (a) complying with the requirements of U.S. federal securities law relating to proxy statements, proxies and proxy solicitation;
- (b) filing all documents relating to the meeting that are filed with or furnished to the SEC; and
- (c) sending each document required to be filed under paragraph (b) to each security holder whose last address as shown on the books of the SEC issuer is in Ontario in the manner and at the time required by U.S. federal securities law and the requirements of the U.S. exchange on which securities of the issuer are listed or Nasdaq.

3.6 Proxy Solicitation by Another Person or Company - A person or company, other than the issuer, that solicits proxies with respect to a SEC issuer that has a class of securities registered under section 12 of the 1934 Act satisfies the requirements of securities legislation relating to information circulars, proxies and proxy solicitation by fulfilling the requirements of paragraphs 3.5(a), (b) and (c).

statements of the issuer". The term "interim MD&A" is defined in Rule 51-501 as "means, for an issuer, a MD&A for the interim financial statements of the issuer".

¹⁵ Each of National Instrument 44-101 Short Form Prospectus Distributions and Rule 51-501 AIF and MD&A permits issuers, both domestic and foreign, to file a Form 10-K or Form 20-F as an AIF. Rule 51-501 permits issuers to satisfy interim MD&A requirements by complying with the interim MD&A requirements of Form 10-Q under the 1934 Act. SEC foreign private issuers are not required to file interim MD&A. Therefore, generally, non-U.S. foreign issuers will not file interim MD&A under section 3.4 of this Rule.

3.7 Determination of Eligibility - If a proxy solicitation is made under section 3.6 and the person or company soliciting proxies lacks access to the relevant list of security holders of the issuer, it will be conclusively presumed that paragraph (a) of the definition of foreign issuer is not satisfied, unless

- (a) the aggregate published trading volume of the class on the TSE; Bourse de Montréal Inc. and the Canadian Venture Exchange Inc. exceeded the aggregate published trading volume of the class on national securities exchanges in the United States of America and Nasdaq for the 12 calendar month period before commencement of the proxy solicitation or, if another proxy solicitation for securities of the same class is in progress, the 12 calendar month period before commencement of the first proxy solicitation already in progress;
- (b) disclosure that paragraph (a) of the definition of foreign issuer was satisfied had been made by the issuer in its Form 10-K or Form 20-F most recently filed with the SEC; or
- (c) the person or company soliciting proxies has actual knowledge that paragraph (a) of the definition of foreign issuer is satisfied.

3.8 Prospectus Disclosure in Certain Information Circulars - Rule 54-501 does not apply to a person or company filing and sending documents in accordance with section 3.5 or 3.6.¹⁶

3.9 Exemption from Annual Filing - Subsection 81(2) of the Act does not apply to a SEC issuer if the issuer complies with paragraphs 3.5(a), (b) and (c).

3.10 Disclosure of Outstanding Share Data and Early Warning

- (1) A SEC issuer that has a class of securities registered under section 12 of the 1934 Act is exempt from NI 62-102 if the issuer
 - (a) complies with the requirements of U.S. federal securities law relating to disclosure of outstanding share data; and
 - (b) files each report disclosing outstanding share data that is filed with the SEC.
- (2) A person or company is exempt from the early warning provisions in respect of securities of a SEC issuer that has a class of securities registered under section 12 of the 1934 Act if the person or company

¹⁶ Section 4.1 of Rule 71-801 Implementing the Multijurisdictional Disclosure System grants an exemption from Rule 54-501 for information circulars and dissident circulars relating to U.S. incorporated SEC issuers.

- (a) complies with the requirements of U.S. federal securities law relating to reporting of beneficial ownership of equity securities; and
- (b) files each report of beneficial ownership that is filed with the SEC.
- 3.11 Insider Reporting** - The insider reporting requirements do not apply to an insider of a SEC issuer that has a class of securities registered under section 12 of the 1934 Act if
- (a) the SEC issuer is not a SEDI issuer;
- (b) the insider complies with the requirements of U.S. federal securities law regarding insider reporting; and
- (c) the insider files each insider report that is filed with the SEC.¹⁷
- 3.12 Communication with Beneficial Owners of Securities of a Reporting Issuer** - A SEC issuer satisfies the requirements of securities legislation relating to communications with, delivery of materials to and conferring voting rights upon non-registered holders of its securities who hold their interests in the securities through one or more intermediaries by
- (a) complying with the requirements of Rule 14a-13 under the 1934 Act for any depository and any intermediary whose last address as shown on the books of the issuer is in Canada; and
- (b) complying with the requirements of NP 41 or any successor instrument to NP 41 with respect to fees payable to intermediaries, for any depository and any intermediary whose last address as shown on the books of the issuer is in Canada.
- 3.13 Standards of Disclosure for Mineral Projects** - Despite the provisions of this Part, NI 43-101 applies to a person or company filing a disclosure document in accordance with this Part.
- 3.14 Future-Oriented Financial Information** - A SEC issuer satisfies the requirements of NI 52-101 by complying with the requirements of U.S. federal securities law relating to future oriented financial information.
- 3.15 Use of Currencies** - A SEC issuer satisfies the requirements of NI 52-102 by complying with the requirements of U.S. federal securities law relating to the use of currencies.
- 3.16 Change of Auditor** - A SEC issuer satisfies the requirements of NI 52-103 by complying with the requirements of U.S. federal securities law relating to a change of auditor.
- 3.17 Auditor's Report** - A SEC issuer satisfies the requirements of NI 52-104 by complying with the requirements of U.S. federal securities law relating to the basis of accounting, auditing and reporting.
- 3.18 Change in the Ending Date of a Financial Year** - A SEC issuer satisfies the requirements of NI 52-105 by complying with the requirements of U.S. federal securities law relating to a change in the ending date of a financial year.
- 3.19 Restricted Shares**
- (1) Rule 56-501 does not apply in respect of a SEC issuer.
- (2) Despite subsection (1)
- (a) section 2.3, other than paragraph 2.3(1)6., of Rule 56-501 applies to
- (i) a preliminary prospectus or prospectus filed by a SEC issuer, and
- (ii) a securities exchange take-over bid circular filed by a SEC issuer, if the offeree issuer is not a SEC issuer or non-SEC issuer; and
- (b) section 4.2 of Rule 56-501 applies in respect of a SEC issuer.
- 3.20 Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions** - Rule 61-501 does not apply to
- (a) an insider bid or issuer bid for securities of a SEC issuer; or
- (b) a SEC issuer carrying out a going private transaction or related party transaction.

PART 4 NON-SEC ISSUERS

- 4.1 News Releases** - A non-SEC issuer is exempt from subsection 75(1) of the Act if the issuer
- (a) complies with the foreign disclosure requirements for making public disclosure of material information on a timely basis; and
- (b) issues in Canada and files each news release issued for the purpose of complying with the requirements referred to in paragraph (a).¹⁸

¹⁷ Insiders of foreign private issuers are exempt from filing insider reports under U.S. federal securities law. Section 3.11 consequently operates to grant an exemption for the filing of insider reports for insiders of non-U.S. foreign issuers.

¹⁸ It may be that the news release disclosure requirements under the requirements of the stock exchanges or other market are broader than the requirements under the Act to disclose "material changes".

4.2 Material Change Reports - A non-SEC issuer is exempt from subsection 75(2) of the Act if the issuer

- (a) complies with the foreign disclosure requirements relating to disclosure of material information relating to the issuer; and
- (b) files the documents disclosing the material information filed with or furnished to the foreign regulatory authority.

4.3 Financial Statements

(1) A non-SEC issuer satisfies the requirements of securities legislation relating to the preparation, filing and sending of interim financial statements and relating to the preparation, certification, filing and sending of annual financial statements and auditor's reports on annual financial statements by

- (a) complying with the foreign disclosure requirements relating to interim financial statements, annual financial statements and auditor's reports on annual financial statements;
- (b) filing the interim financial statements, annual financial statements and auditor's reports on annual financial statements required to be filed with or furnished to the foreign regulatory authority; and
- (c) sending to each holder of voting securities or of restricted shares whose last address as shown on the books of the non-SEC issuer is in Ontario, or disseminating in Ontario selected financial information from, each financial statement required to be filed under paragraph (b), in the manner and at the time required to be sent to security holders or disseminated under the foreign disclosure requirements.¹⁹

(2) Despite subsection 4.3(1), subsection 1(4) of the Regulation applies to financial statements filed in accordance with subsection 4.3(1).

4.4 AIFs and MD&A - A non-SEC issuer satisfies the requirements of securities legislation to file an AIF, other than an AIF filed under National Instrument 44-101 Short Form Prospectus Distributions, and MD&A by

- (a) complying with the foreign disclosure requirements relating to annual reports, quarterly

reports and management's discussion and analysis;

- (b) filing each annual report, quarterly report and management's discussion and analysis required to be filed with the foreign regulatory authority; and

- (c) sending each annual report, quarterly report and management's discussion and analysis to each holder of voting securities and of restricted shares whose last address as shown on the books of the non-SEC issuer is in Ontario in the manner and at the time required by the foreign disclosure requirements.²⁰

4.5 Proxy Solicitation by the Issuer - A non-SEC issuer satisfies the requirements of securities legislation relating to information circulars, proxies and proxy solicitation by

- (a) complying with the foreign disclosure requirements relating to proxy statements, proxies and proxy solicitation;

- (b) filing all documents relating to the meeting that are filed with the foreign regulatory authority; and

- (c) sending each document required to be filed under paragraph (b) to each security holder whose last address as shown on the books of the non-SEC issuer is in Ontario in the manner and at the time required by the foreign disclosure requirements.

4.6 Proxy Solicitation by Another Person or Company - A person or company, other than the issuer, that solicits proxies with respect to a non-SEC issuer satisfies the requirements of securities legislation relating to information circulars, proxies and proxy solicitation by fulfilling the requirements of paragraphs 4.5(a), (b) and (c).

4.7 Determination of Eligibility - If a proxy solicitation is made under section 4.6 and the person or company soliciting proxies lacks access to the relevant list of security holders of the issuer, it will be conclusively presumed that paragraph (a) of the definition of foreign issuer is not satisfied, unless

- (a) the aggregate published trading volume of the class on the TSE, Bourse de Montréal Inc. and the Canadian Venture Exchange Inc. exceeded the aggregate published trading volume on securities markets outside Canada for the 12 calendar month before commencement of the proxy solicitation, or, if another proxy solicitation for securities of the same class is in progress, the 12 calendar month period before

¹⁹ The effect of this Rule is that both SEC reporting issuers and non-SEC reporting issuers are exempt from the requirement to prepare interim financial statements to the extent that they are not required to do so under home jurisdiction requirements or stock exchange or Nasdaq rules.

²⁰ This provision is consistent with National Instrument 71-101 but has been extended to foreign issuers that are not SEC registrants.

- commencement of the first proxy solicitation already in progress;
- (b) disclosure that paragraph (a) of the definition of foreign issuer was satisfied had been made by the issuer in a document recently filed with the foreign regulatory authority; or
- (c) the person or company soliciting proxies has actual knowledge that paragraph (a) of the definition of foreign issuer is satisfied.
- 4.8 Prospectus Disclosure in Certain Information Circulars** - Rule 54-501 does not apply to a person or company filing and sending documents in accordance with section 4.5 or 4.6.
- 4.9 Exemption from Annual Filing** - Subsection 81(2) of the Act does not apply to a non-SEC issuer if the issuer complies with paragraphs 4.5(a), (b) and (c).
- 4.10 Disclosure of Outstanding Share Data and Early Warning**
- (1) A non-SEC issuer is exempt from NI 62-102 if the issuer
- (a) complies with the foreign disclosure requirements relating to disclosure of outstanding share data; and
- (b) files each report disclosing outstanding share data that is filed with the foreign regulatory authority.
- (2) A person or company is exempt from the early warning provisions in respect of securities of a non-SEC issuer if the person or company
- (a) complies with the foreign disclosure requirements relating to reporting of beneficial ownership of equity securities; and
- (b) files each report of beneficial ownership that is filed with the foreign regulatory authority.
- 4.11 Insider Reporting** - The insider reporting requirements do not apply to an insider of a non-SEC issuer if
- (a) the non-SEC issuer is not a SEDI issuer;
- (b) the insider complies with the foreign disclosure requirements regarding insider reporting; and
- (c) the insider files each insider report that is filed with the foreign regulatory authority.
- 4.12 Communication with Beneficial Owners of Securities of a Reporting Issuer** - A non-SEC issuer satisfies the requirements of securities legislation relating to communications with, delivery of materials to and conferring voting rights upon non-registered holders of its securities who hold their interests in the securities through one or more intermediaries by
- (a) complying with foreign disclosure requirements regarding communication with beneficial owners of securities; and
- (b) complying with the requirements of NP 41 or any successor instrument to NP 41 with respect to fees payable to intermediaries, for any depositary and any intermediary whose last address as shown on the books of the issuer is in Canada.
- 4.13 Standards of Disclosure for Mineral Projects** - Despite the provisions of this Part, NI 43-101 applies to a person or company filing a disclosure document in accordance with this Part.
- 4.14 Future-Oriented Financial Information** - A non-SEC issuer satisfies the requirements of NI 52-101 by complying with the foreign disclosure requirements relating to future-oriented financial information.
- 4.15 Use of Currencies** - A non-SEC issuer satisfies the requirements of NI 52-102 by complying with the foreign disclosure requirements relating to the use of currencies.
- 4.16 Change of Auditor** - A non-SEC issuer satisfies the requirements of NI 52-103 by complying with the foreign disclosure requirements relating to a change of auditor.
- 4.17 Auditor's Report** - A non-SEC issuer satisfies the requirements of NI 52-104 by complying with the foreign disclosure requirements relating to the basis of accounting, auditing and reporting.
- 4.18 Change in the Ending Date of a Financial Year** - A non-SEC issuer satisfies the requirements of NI 52-105 by complying with the foreign disclosure requirements relating to a change in the ending date of a financial year.
- 4.19 Restricted Shares**
- (1) Rule 56-501 does not apply in respect of a non-SEC issuer.
- (2) Despite subsection (1)
- (a) section 2.3, other than paragraph 2.3(1)6., of Rule 56-501 applies to
- (i) a preliminary prospectus or prospectus filed by a non-SEC issuer, and
- (ii) a securities exchange take-over bid circular filed by a non-SEC issuer, if the offeree issuer is not a SEC issuer or non-SEC issuer; and

(b) section 4.2 of Rule 56-501 applies in respect of a non-SEC issuer.

4.20 Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions - Rule 61-501 does not apply to

- (a) an insider bid or issuer bid for securities of a non-SEC issuer; or
- (b) a non-SEC issuer carrying out a going private transaction or related party transaction.

PART 5 TRANSITION

5.1 Transition

- (1) Despite subsection 3.3(2), subsection 1(4) of the Regulation does not apply to interim financial statements filed by a SEC issuer in accordance with subsection 3.3(1) before the first time the SEC issuer files annual financial statements after the effective date of this Rule.
- (2) Despite subsection 4.3(2), subsection 1(4) of the Regulation does not apply to interim financial statements filed by a non-SEC issuer in accordance with subsection 4.3(1) before the first time the non-SEC issuer files annual financial statements after the effective date of this Rule.
- (3) From July 1, 2002 until July 1, 2004 a category E reporting issuer is exempt from
 - (a) Rule 51-501 AIF and MD&A;
 - (b) section 2.1 of Rule 52-501 if the annual financial statements are
 - (i) prepared in compliance with the laws of the foreign jurisdiction of incorporation, continuance, organization of the issuer, and
 - (ii) filed not later than the earlier of
 - A. 24 hours after they are filed with any other governmental agency, and
 - B. 140 days after the end of the financial year; and
 - (c) section 2.2 of Rule 52-501 and the requirement to prepare and file interim financial statements for periods for which interim financial statements are not required to be prepared under the laws of the foreign jurisdiction of incorporation, continuance or organization of the issuer, if the issuer
 - (i) is not required by the laws of the foreign jurisdiction to prepare statements for the

periods referred to in section 77 of the Act, and

(ii) files the financial statements filed with the TSE.

PART 6 EXEMPTION

6.1 Exemption - The Director may grant an exemption to this Rule, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

PART 7 EFFECTIVE DATE

7.1 Effective Date - This Rule comes into force on July 1, 2002.

ONTARIO SECURITIES COMMISSION
COMPANION POLICY 72-502CP

CONTINUOUS DISCLOSURE AND OTHER EXEMPTIONS
RELATING TO FOREIGN ISSUERS

PART 1 GENERAL

1.1 Application and Purpose

- (1) Rule 72-502 Continuous Disclosure and Other Exemptions relating to Foreign Issuers (the "Rule") provides that certain persons and companies satisfy the requirements of securities legislation in Ontario relating to news releases, material change reports, financial statements, AIFs and MD&A, proxy solicitation, early warning, insider reporting and communication with beneficial owners of securities with respect to a foreign issuer by complying with corresponding requirements of the securities laws of a specified foreign jurisdiction, subject to certain limitations. Certain foreign issuers are also exempt from the requirements of Rule 54-501 Prospectus Disclosure in Certain Information Circulars ("Rule 54-501"), Rule 56-501 Restricted Shares ("Rule 56-501"), Rule 61-501 Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions ("Rule 61-501") and certain financial disclosure and other requirements. No exemption is granted from the requirements of National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101").
- (2) In most circumstances, the exemptive relief granted does not extend to disclosure in prospectuses, take-over bid circulars or issuer bid circulars or to the conduct of a bid or other transaction. However, several of the financial disclosure exemptions extend to disclosure in prospectuses, bid circulars and other documents and a broad exemption from Rule 61-501 is granted to certain foreign issuers. Similarly, an exemption is granted from Rule 56-501.
- (3) The purpose of the Rule is to reduce unnecessary and duplicative regulation for foreign issuers while at the same time providing Ontario investors with adequate disclosure on which to base investment decisions. The Rule may facilitate listings on the TSE and Ontario public offerings by foreign issuers.
- (4) The Rule categorizes a foreign issuer as a SEC issuer or a non-SEC issuer. A SEC issuer is a foreign issuer that (a) has a class of securities registered under section 12 of the 1934 Act or is required to file reports with the SEC under subsection 15(d) of the 1934 Act, and (b) is not registered or required to be registered as an investment company under the Investment Company Act of 1940 of the United States of America. A non-SEC issuer is a foreign issuer

- (a) that does not have securities registered under section 12 of the 1934 Act and is not required to file reports with the SEC under subsection 15(d) of the 1934 Act,
- (b) that is not a mutual fund or other investment company,
- (c) that is subject to the foreign disclosure requirements of a foreign regulatory authority in a designated foreign jurisdiction, and
- (d) not more than 10 per cent of the equity securities of which on a fully diluted basis are owned by Canadian residents.

The Commission has initially designated Australia, France, Germany, Hong Kong, Italy, Japan, Mexico, The Netherlands, New Zealand, Singapore, South Africa, Spain, Sweden, Switzerland and the United Kingdom as designated foreign jurisdictions. The Commission considers that the continuous disclosure, AIF and MD&A, proxy and proxy solicitation, early warning, insider reporting requirements, communication with beneficial owners of securities, issuer bid, insider bid, going private transaction and related party transaction requirements of these jurisdictions are adequate in light of the purposes and principles of the Act.

There is no *de minimis* threshold for ownership by Canadian residents of equity securities of SEC issuers. This is consistent with the recognition of U.S. federal securities law reflected in National Instrument 71-101 The Multijurisdictional Disclosure System ("NI 71-101"). The Commission has determined that recognition of principal trading market securities regulation of non-SEC issuers is consistent with principles of international comity and that the 10 percent *de minimis* threshold for ownership by Canadian residents of equity securities is appropriate. Canadian market capitalization represents approximately three per cent of market capitalization worldwide.

- (5) The definition of foreign issuer is based upon the definition of foreign private issuer in Rule 405 of the 1933 Act and Rule 3b-4 of the 1934 Act. For the purposes of the definition of "foreign issuer", it is the Commission's view that, in determining the outstanding voting securities that are directly or indirectly owned of record by residents of Canada, an issuer should use reasonable efforts to
 - (a) determine securities held of record by a broker, dealer, bank, trust company or nominee for any of them for the accounts of customers resident in Canada,

- (b) count securities beneficially owned by residents of Canada as reported on reports of beneficial ownership, and
- (c) assume that a customer is a resident of the jurisdiction or foreign jurisdiction in which the nominee has its principal place of business if, after reasonable inquiry, information regarding the jurisdiction or foreign jurisdiction of residence of the customer is unavailable.

The determination of the percentage of the equity securities of the foreign issuer owned of record by residents of Canada for the purposes of paragraph (d) of the definition of non-SEC issuer should be made in the same manner. Section 1.2 of the Rule also provides interpretation regarding the definition of non-SEC issuer.

1.2 Multijurisdictional Disclosure System

- (1) NI 71-101 provides the same or broader relief from certain requirements as provided by the Rule for certain United States incorporated foreign issuers. U.S. incorporated SEC issuers have been included in the Rule to clarify the application of certain requirements such as NI 43-101, to grant additional relief not granted by NI 71-101, such as from the disclosure of outstanding share data and early warning provisions and to create a cohesive continuous disclosure regime for foreign issuers.
- (2) An eligible U.S. issuer may choose to use an exemption in the Rule or NI 71-101 and Rule 71-801, the Implementing Rule for National Instrument 71-101 The Multijurisdictional Disclosure System. For example, section 17.1 of NI 71-101 grants an exemption from the insider reporting requirements to an insider of a U.S. issuer that has securities registered under section 12 of the 1934 Act if the insider complies with the requirements of U.S. federal securities law regarding insider reporting and files with the SEC any insider report required to be filed with the SEC. This relief goes beyond the exemption provided by section 3.11 of the Rule which is not available to insiders of a SEDl issuer as defined in National Instrument 55-102 System for Electronic Disclosure by Insiders (SEDI) and requires that the insider of the SEC issuer file with the Commission the insider report filed with the SEC.
- (3) Section 3.19 of the Rule grants a SEC issuer filing a preliminary prospectus or prospectus an exemption from the requirements of Rule 56-501 other than paragraphs 2.3(1)1. to 5., inclusive. If a SEC issuer files a prospectus in accordance with NI 71-101, this carve-out from the relief granted by the Rule is inapplicable as subsection 1.2(3) of Rule 56-501 provides that

the issuer is not subject to section 2.3 of Rule 56-501.

PART 2 STATEMENT OF POLICIES

2.1 Timely Disclosure - The news release disclosure requirements of the U.S. exchanges and Nasdaq, like those of the Canadian exchanges, are frequently broader than the requirements under the Act to disclose "material changes". Subsection 75(1) only needs to be complied with if a material change as defined in the Act occurs. A SEC issuer is exempt from subsection 75(1) of the Act if the issuer issues in Canada and files with the Commission each news release issued under foreign requirements to make public disclosure of material information on a timely basis whether or not the material information constitutes a material change.

2.2 Interim Financial Statements

- (1) Section 3.3 of the Rule states that a SEC issuer satisfies the requirements of securities legislation relating to the preparation, filing and sending of interim financial statements by complying with the comparable requirements of U.S. federal securities law. Section 4.3 grants a comparable exemption to non-SEC issuers.
- (2) Sections 3.3 and 4.3 of the Rule thereby grant eligible foreign issuers an exemption from the requirements of sections 77 and 79 of the Act and section 2.2 of Rule 52-501 Financial Statements ("Rule 52-501") regarding interim financial statements.
- (3) Certain foreign issuers are required to file quarterly reports with the SEC but are under no SEC obligation to deliver quarterly financial statements to security holders. The Rule relieves these issuers from the requirement to deliver quarterly reports filed under section 77 of the Act if there is no obligation under U.S. federal securities law or exchange or Nasdaq requirements to deliver the quarterly report.

2.3 Annual Financial Statements

- (1) Section 3.3 of the Rule states that a SEC issuer satisfies the requirements of securities legislation relating to the preparation, certification, filing and sending of annual financial statements and auditor's reports on annual financial statements by complying with the comparable requirements of U.S. federal securities law. Section 4.3 grants a comparable exemption to non-SEC issuers.
- (2) Sections 3.3 and 4.3 of the Rule thereby grant eligible foreign issuers an exemption from the requirements of sections 78 and 79 of the Act and section 2.1 of Rule 52-501 regarding annual financial statements.

- (3) Section 2.1(4) of Rule 52-501 mandates approval by the board of directors of an issuer for annual financial statements filed with the Commission. The Rule does not grant an exemption from that requirement. The signature requirements of section 2.1(4) of Rule 52-501 relate only to the filed copies of the financial statements. Sections 3.3 and 4.3 of the Rule provide that a foreign issuer is not required to certify its financial statements filed under section 78 of the Act. Section 79 of the Act does not require that the signatures also appear on copies distributed to security holders, although the laws of another jurisdiction or foreign jurisdiction may impose such a requirement.

2.4 Generally Accepted Accounting Principles "GAAP"

- (1) There is no requirement to reconcile annual and interim financial statements in documents filed in accordance with the Rule to Canadian GAAP.
- (2) Subsections 3.3(2) and 4.3(2) of the Rule provide that the requirement in subsection 1(4) of the Regulation to state in the notes to the financial statements which option has been applied in the choice of generally accepted accounting principles applies to financial statements filed in accordance with the Rule. Section 5.1 of the Rule provides that, despite subsections 3.3(2) and 4.3(2), subsection 1(4) of the Regulation does not apply to interim financial statements filed before the filing of the first annual financial statements after the effective date of the Rule.

2.5 AIF and MD&A

- (1) Rule 51-501 AIF and MD&A ("Rule 51-501") requires all reporting issuers to file an AIF in the form of Form 44-101F1. That form includes MD&A disclosure. Part 4 of Rule 51-501 also requires interim MD&A.
- (2) Sections 3.4 and 4.4 of the Rule grant an exemption from Rule 51-501 for eligible foreign issuers if certain conditions are met.

2.6 Information Circulars or Annual Filings

- (1) Section 3.5 of the Rule provides that a SEC issuer that has a class of securities registered under section 12 of the 1934 Act satisfies the requirements of securities legislation relating to information circulars, proxies and proxy solicitation by complying with the comparable requirements of U.S. federal securities law. A similar exemption exists for non-SEC issuers in section 4.5.
- (2) Sections 3.8 and 4.8 of the Rule grant an exemption to a SEC issuer that has a class of securities registered under section 12 of the 1934 Act and non-SEC issuer, respectively, from

Rule 54-501 that requires prospectus disclosure in information circulars sent to holders of voting securities in respect of a meeting (a) for which proxies are being solicited; and (b) that is being held to consider a statutory amalgamation, statutory arrangement, statutory merger or reorganization involving the reporting issuer and another issuer, under which securities are to be distributed to security holders of the reporting issuer.

As a result, prospectus disclosure in the form required under securities legislation is not required in these circulars filed by an eligible foreign issuer. Further, financial statements included or incorporated by reference in an information circular or dissident circular sent to holders of voting securities of a SEC issuer that has a class of securities registered under section 12 of the 1934 Act or non-SEC issuer are not required to be reconciled to Canadian GAAP.

If a meeting is being held to consider a statutory amalgamation, statutory arrangement, statutory merger or reorganization involving a SEC issuer or non-SEC issuer that is not a reporting issuer and a domestic reporting issuer, the proxy solicitation exemption under the Rule is inapplicable. The SEC issuer or non-SEC issuer is not subject to a requirement to file an information circular. The domestic reporting issuer could apply to the Director of the Commission under Rule 54-501 for relief from the requirement to include in its information circular prospectus disclosure regarding the SEC issuer or non-SEC issuer in the form required by securities legislation.

- (3) The annual report requirement under subsection 81(2) of the Act applies to all reporting issuers other than those required to send an information circular under clause 86(1)(a) of the Act. Unless exempt from such requirement by an order under section 80 of the Act, the Commission is of the view that the annual report requirement applies to a reporting issuer that is not required to send an information circular to its security holders because, for example, all outstanding voting securities of the issuer are held directly or indirectly by one person or company. An example of this would be a reporting issuer that is a wholly-owned subsidiary of another company and has outstanding debt securities held by the public.

The Commission is of the view that subsection 81(2) of the Act is applicable to issuers that are subject to clause 86(1)(a) of the Act but do not comply with that clause. Sections 3.9 and 4.9 of the Rule grant an exemption to SEC issuers and non-SEC issuers, respectively, from the requirement to file an annual report under subsection 81(2) of the Act if the issuer complies with paragraphs 3.5(a), (b) and (c) or 4.5(a), (b) and (c) of the Rule, respectively.

2.7 Disclosure of Outstanding Share Data and Early Warning - Subsections 3.10(1) and 4.10(1) of the Rule grant an exemption from NI 62-102 Disclosure of Outstanding Share Data to a SEC issuer that has a class of securities registered under the 1934 Act and non-SEC issuer, respectively, if the issuer complies with foreign requirements relating to disclosure of outstanding share data and files with the Commission the foreign disclosure. Subsections 3.10(2) and 4.10(2) grant an exemption to a person or a company from the requirement to file early warning reports and the moratorium provisions under Part XX of the Act and from compliance with NI 62-103 relating to securities of a SEC issuer that has a class of securities registered under the 1934 Act or non-SEC issuer, respectively, if the person or company complies with foreign requirements relating to reporting of beneficial ownership of equity securities and files with the Commission the foreign form of report of beneficial ownership. For example, a person or company must file with the Commission the Schedule 13D filed with the SEC after acquiring the beneficial ownership of equity securities of a SEC issuer representing more than five percent of the class of equity securities and all other reports of beneficial ownership of equity securities filed with the SEC.

2.8 Insider Reports

- (1) Sections 3.11 and 4.11 of the Rule grant an exemption to an insider of an eligible foreign issuer from the obligation to comply with the insider reporting requirements provided that the insider complies with requirements of U.S. federal securities law or foreign disclosure requirements, as applicable, regarding insider reporting and files each insider report that is filed with the SEC or the foreign regulatory authority, as applicable.
- (2) Insiders of foreign issuers (SEDAR) that voluntarily file under National Instrument 13-101 System for Electronic Document Analysis and Retrieval (SEDAR) are required to file insider reports electronically under SEDI. However, under NI 71-101 an insider of an eligible U.S. issuer is exempt from the insider reporting requirements if the insider complies with U.S. federal securities law regarding insider reporting and files with the SEC any insider report required to be filed with the SEC. Consequently, insiders of NI 71-101 eligible issuers are also exempt from the requirement to file insider reports on SEDI. Insiders of a non-SEC issuer that voluntarily files under SEDAR are not eligible to file insider reports under section 4.11 of the Rule. Only insiders of a non-SEC issuer that does not file under SEDAR are eligible to file insider reports under section 4.11. They would file the foreign form of insider reports in paper form.

2.9 Financial Disclosure - Sections 3.14, 3.15, 3.16, 3.17, 3.18, 4.14, 4.15, 4.16, 4.17 and 4.18 of the Rule provide that SEC issuers and non-SEC issuers satisfy requirements of securities legislation relating to future oriented financial information, use of currencies, change of auditor, auditor's report and change in the ending date of a financial year by complying with comparable foreign requirements. These exemptions extend to disclosure in prospectuses, information circulars, bid circulars and other documents in addition to financial statements, annual information forms and MD&A.

2.10 Restricted Shares - Sections 3.19 and 4.19 of the Rule grant an exemption from Rule 56-501 in respect of a SEC issuer and non-SEC issuer, respectively. The exemptions from the requirements of Rule 56-501 extend to news releases, material change reports, financial statements, AIFs and MD&A, information circulars, rights offering circulars, certain bid circulars, offering memoranda and other documents. Section 2.3, other than paragraph 2.3(1)6., of Rule 56-501 continues to apply to a preliminary prospectus or prospectus filed by a SEC issuer or non-SEC issuer and to a securities exchange take-over bid circular filed by a SEC issuer or non-SEC issuer, if the offeree issuer is not a SEC issuer or non-SEC issuer.

2.11 Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions - Sections 3.20 and 4.20 of the Rule grant an exemption from Rule 61-501 in respect of SEC issuers and non-SEC issuers, respectively. The exemption applies to a SEC issuer or non-SEC issuer as an issuer carrying out a going private transaction or related party transaction. In a case where, for example, a SEC issuer proposes to take private an Ontario incorporated subsidiary that is a reporting issuer, the Ontario incorporated subsidiary is still subject to the enhanced disclosure, minority approval and valuation requirements of Rule 61-501 unless an exemption in Rule 61-501 is available. Similarly, if a SEC issuer purchases assets from an Ontario incorporated reporting issuer that is a related party of the SEC issuer, the transaction may be a related party transaction for both parties. If it is, the Rule exempts the SEC issuer from the related party transaction requirements of Rule 61-501 but the Ontario incorporated issuer remains subject to Rule 61-501.

2.12 Foreign Issuers that do not qualify as SEC issuers or non-SEC issuers - If a foreign issuer is not a SEC issuer and the number of equity securities of the issuer owned by residents of Canada is not *de minimis* within the terms of the Rule in that it exceeds 10 percent of the aggregate number of equity securities worldwide on a fully diluted basis, the issuer and other persons and companies must comply with Ontario news release, material change report, financial statement, AIF and MD&A, proxy statement, annual report, early warning, insider reporting and communication with beneficial owners of securities of a reporting issuer and other

requirements unless discretionary relief is granted. Further, subject to the transitional exemptive relief granted to Category E reporting issuers by subsection 5.1(3) of the Rule, the Rule does not provide exemptions to foreign issuers that are not SEC issuers and are not subject to foreign disclosure requirements of a designated foreign jurisdiction. The Commission may require that an ineligible foreign issuer reconcile its financial statements to Canadian GAAP as a condition of granting discretionary relief.

- 2.13 **Transition for Category E Reporting Issuers** - The Rule replaces Commission Policy 7.1 Application of Requirements of the Securities Act to Certain Reporting Issuers and the related order and rules ("Policy 7.1"). Policy 7.1 granted certain exemptions to category E reporting issuers, foreign issuers with securities listed on the TSE, five per cent or less of the listed securities registered in the names of Canadian residents and 300 or less Canadian registered holders of the securities. Category E reporting issuers that are not SEC issuers and are not subject to foreign disclosure requirements of a designated foreign jurisdiction are not eligible for relief under the Rule. Subsection 5.1(3) of the Rule continues the relief granted by Policy 7.1 for a two year grandfathering period and extends the relief to an exemption from Rule 51-501.

**RESCISSION
OF ONTARIO SECURITIES COMMISSION POLICY 7.1
APPLICATION OF REQUIREMENTS OF THE
SECURITIES ACT TO CERTAIN REPORTING ISSUERS**

PART 1 RESCISSION

- 1.1 **Rescission** - OSC Policy 7.1 Application of Requirements of the Securities Act to Certain Reporting Issuers is rescinded.

PART 2 EFFECTIVE DATE

- 2.1 **Effective Date** - This rescission comes into force on July 1, 2002.

**RESCISSION
OF ONTARIO SECURITIES COMMISSION ORDER
IN THE MATTER OF PARTS XVII AND XX OF THE
SECURITIES ACT**

AND

IN THE MATTER OF CERTAIN REPORTING ISSUERS

AND

**ONTARIO SECURITIES COMMISSION RULES
IN THE MATTER OF CERTAIN REPORTING ISSUERS**

PART 1 RESCISSION

1.1 Rescission - The following instruments

- (a) Ontario Securities Commission Order In the Matter of Parts XVII and XX of the *Securities Act* and In the Matter of Certain Reporting Issuers (1980) OSCB 54, as amended,
- (b) Ontario Securities Commission Rule In the Matter of Certain Reporting Issuers (1997) 20 OSCB 1218, as amended by (1999) 22 OSCB 151, (2000) OSCB 289 and (2000) 23 OSCB 8244, that incorporates by reference the deemed rule (1980) OSCB 166, as amended, and
- (c) Ontario Securities Commission Rule In the Matter of Certain Reporting Issuers (1997) 20 OSCB 1219, as amended by (1999) OSCB 151, (2000) OSCB 289 and (2000) OSCB 8244, that incorporates by reference the deemed rules (1984), 7 OSCB 1913 and (1984), 7 OSCB 3247 as amended,

are rescinded.

PART 2 EFFECTIVE DATE

- 2.1 Effective Date - This rescission comes into force on July 1, 2002.**

6.1.2 Notice of Proposed Rule 51-503 and 51-503CP

NOTICE OF PROPOSED RULE 51-503 AND COMPANION POLICY 51-503CP SUPPLEMENTARY SEC FILINGS

AND

PROPOSED RESCISSION OF OSC POLICY 51-603 RECIPROCAL FILINGS

This notice is accompanied by the text of proposed Rule 51-503 Supplementary SEC Filings (the "Proposed Rule"), Companion Policy 51-503CP (the "Proposed Policy") and the proposed rescission of OSC Policy 51-603 Reciprocal Filings, all of which are being published for comment.

Substance and Purpose of Proposed Rule

The substance of the Proposed Rule is to require domestic reporting issuers to file with the Commission a document that is filed or furnished by the issuer to the SEC under the 1933 Act or 1934 Act, if the document contains information that has not been included in disclosure filed by the issuer under another requirement of securities legislation. A domestic issuer that is a SEC registrant may make disclosure under U.S. federal securities law that is not required to be made under Ontario securities legislation. For example, Item 7A of Form 10-K requires an issuer to make quantitative and qualitative disclosure about market risk. Market risk disclosure is not required by Form 44-101F1, the form of AIF prescribed by National Instrument 44-101 Short Form Prospectus Distributions and Rule 51-501 AIF and MD&A ("Rule 51-501"). The purpose of the Proposed Rule is to ensure that Ontario investors have ready access on SEDAR on a timely basis to continuous disclosure and other information that reporting issuers make publicly available in the United States. It is proposed that the Proposed Rule would replace most of section 6 of the Regulation and replace OSC Policy 51-603 Reciprocal Filings.

Summary of Proposed Rule

Section 1.1 sets out the definitions used in the Proposed Rule. A "document" means a form, schedule or other disclosure document filed or furnished to the SEC under the 1933 Act or 1934 Act. A "supplementary issuer" is a reporting issuer that (a) is not a foreign issuer, (b) is not a mutual fund, and (c) has a class of securities registered under section 12 of the 1934 Act or is required to file reports with the SEC under subsection 15(d) of the 1934 Act.

Section 2.1 requires a supplementary issuer to file with the Commission a document filed or furnished by the issuer to the SEC if the document contains information that has not been included in disclosure filed by the issuer under another requirement of Ontario securities legislation.

Part 3 is a general provision setting out the timing of filing of documents under the Proposed Rule and the requirement to file on SEDAR.

Section 4.1 enables the Director to grant an exemption to the Proposed Rule.

Section 5.1 provides that Proposed Rule comes into force on July 1, 2002.

Summary of Proposed Policy

Section 1.1 of Proposed Policy states that a supplementary issuer must file with the Commission a document filed with the SEC under the 1933 Act or 1934 Act if the document contains information that has not been included in disclosure filed by the issuer under another requirement of securities legislation and gives examples of documents to be filed.

Section 1.2 explains the interrelationship between the Proposed Rule and subsection 75(2) of the Act and between the Proposed Rule and Rule 51-501.

Authority for Proposed Rule

The following provisions of the Act provide the Commission with authority to make the Proposed Rule. Paragraph 143(1)22 authorizes the Commission to make rules prescribing requirements in respect of the preparation and dissemination and other use, by reporting issuers, of documents providing for continuous disclosure that are in addition to requirements under the Act. Paragraph 143(1) 39 authorizes the Commission to make rules requiring or respecting the media, format, preparation, form, content, execution, certification, dissemination and other use, filing and review of all documents required under or governed by the Act, the regulations or the rules and all documents determined by the regulations or the rules to be ancillary to the documents, including financial statements, proxies and information circulars.

Alternatives Considered

In proposing the Proposed Rule, the Commission considered whether to revoke section 6 of the Regulation and determined to delete all of section 6 of the Regulation other than paragraph 6(1)(a), rescind OSC Policy 51-603 Reciprocal Filings and make the Proposed Rule.

Unpublished Materials

In proposing the Proposed Rule, the Commission has not relied on any significant study, report or other written materials.

Anticipated Costs and Benefits

The benefit provided by the Proposed Rule is that Ontario investors will have access to information regarding domestic reporting issuers made publicly available in the U.S. that is ancillary or supplementary to information made publicly available in Ontario under other provisions of securities legislation. The Proposed Rule would impose no material costs on reporting issuers.

Regulation to be Amended

The Commission proposes to amend section 6 of the Regulation to delete all of the section other than paragraph 6(1)(a) and, with respect to domestic issuers, substitute the

Proposed Rule regarding the filing of documents filed or furnished to the SEC.

Comments

Interested parties are invited to make written submissions with respect to the Proposed Rule and Proposed Policy. Submissions received no later than January 11, 2002 will be considered. Given that the date of expiry of the rules implementing Policy 7.1 is July 1, 2002, submissions received after January 11, 2002 cannot be considered.

Submissions should be made in duplicate to:

c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 800, Box 55
Toronto, Ontario M5H 3S8

A diskette containing the submissions (in DOS or Windows format, preferably WordPerfect) should also be submitted. Comment letters submitted in response to requests for comment are placed on the public file and form part of the public record, unless confidentiality is requested. Although comment letters requesting confidentiality will not be placed on the public file, freedom of information legislation may require the Commission to make some letters available. Persons submitting comment letters should therefore be aware that the press and members of the public may be able to obtain access to any comment letters.

Questions may be referred to:

Kathy Soden or John Hughes
Ontario Securities Commission
(416) 593-8149/(416) 593-3695
ksoden@osc.gov.on.ca
jhughes@osc.gov.on.ca

Text of Proposed Rule, Proposed Policy and Proposed Rescission

The text of the Proposed Rule, Proposed Policy and proposed rescission of OSC Policy 51-603 Reciprocal Filings follow.

DATED: October 12, 2001.

**ONTARIO SECURITIES COMMISSION RULE 51-503
SUPPLEMENTARY SEC FILINGS**

TABLE OF CONTENTS

<u>PART</u>	<u>TITLE</u>
PART 1	DEFINITIONS 1.1 Definitions
PART 2	SUPPLEMENTARY SEC FILINGS 2.1 Supplementary SEC Filings
PART 3	GENERAL 3.1 Timing of Filing 3.2 SEDAR
PART 4	EXEMPTION 4.1 Exemption
PART 5	EFFECTIVE DATE 5.1 Effective Date

**ONTARIO SECURITIES COMMISSION
RULE 51-503 SUPPLEMENTARY SEC FILINGS**

PART 1 DEFINITIONS

1.1 Definitions - In this Rule

"document" means a form, schedule or other disclosure document filed or furnished to the SEC under the 1933 Act or 1934 Act;

"foreign issuer" has the meaning ascribed to that term in Rule 72-502 Continuous Disclosure and Other Exemptions relating to Foreign Issuers;

"Rule 51-501" means Rule 51-501 AIF and MD&A;

"SEDAR" has the meaning ascribed to that term in National Instrument 13-101 System for Electronic Document Analysis and Retrieval (SEDAR); and

"supplementary issuer" means a reporting issuer that

- (a) is not a foreign issuer,
- (b) is not a mutual fund, and
- (c) has a class of securities registered under section 12 of the 1934 Act or is required to file reports with the SEC under subsection 15(d) of the 1934 Act.

PART 2 SUPPLEMENTARY SEC FILINGS

2.1 Supplementary SEC Filings - A supplementary issuer shall file a document that is filed or furnished by the issuer to the SEC if the document contains information that has not been included in disclosure filed by the issuer under another requirement of securities legislation.

PART 3 GENERAL

3.1 Timing of Filing

- (1) A supplementary issuer shall file a document under this Rule contemporaneously with or as soon as practicable after the filing or furnishing of the document to the SEC.
- (2) Despite subsection (1), a supplementary issuer that files an AIF under subsection 2.1(3) of Rule 51-501 in the form of a Form 10-K or Form 20-F under the 1934 Act shall file the Form 10-K or Form 20-F in accordance with subsection 2.1(4) of Rule 51-501.

3.2 SEDAR - A supplementary issuer filing a document under this Rule shall file the document on SEDAR.

PART 4 EXEMPTION

4.1 Exemption - The Director may grant an exemption to this Rule, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

PART 5 EFFECTIVE DATE

5.1 Effective Date - This Rule comes into force on July 1, 2002.

**ONTARIO SECURITIES COMMISSION
COMPANION POLICY 51-503CP**

SUPPLEMENTARY SEC FILINGS

PART 1 GENERAL

1.1 Application and Purpose

- (1) Rule 51-503 Supplementary SEC Filings (the "Rule") provides that a reporting issuer that is not a foreign issuer, is not a mutual fund and has a class of securities registered under section 12 of the 1934 Act or is required to file reports with the SEC under subsection 15(d) of the 1934 Act is required to file with the Commission a disclosure document filed or furnished to the SEC under the 1933 Act or 1934 Act if the document contains information that has not been included in disclosure filed by the issuer under another requirement of securities legislation. The entire document filed or furnished to the SEC, including exhibits, must be filed with the Commission. Examples of disclosure documents required to be filed include a registration statement on Form S-3 filed with the SEC under the 1933 Act, Form 10-K for Annual and Transition Reports pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934, Form 8-K Current Report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 and Schedule TO Tender Offer Statement under section 14(d) or 13(e)(1) of the Securities Exchange Act of 1934.
- (2) A Canadian issuer that is a SEC registrant may make disclosure under U.S. federal securities law that is not required to be made at the same time or at all under Ontario securities legislation. This may result in Ontario investors having unequal access to information. The purpose of the Rule is to ensure that Ontario investors have ready access on SEDAR on a timely basis to continuous disclosure and other information available to U.S. investors.

1.2 Interrelationship with Other Requirements of Securities Legislation

- (1) The Rule requires a document to be filed with the Commission only if it contains information that has not been included in disclosure filed by the supplementary issuer with the Commission. For example, if an issuer has filed a material change report under subsection 75(2) of the Act and the Form 6-K filed by the issuer with the SEC discloses the same information, whether in the same or a different format, there is no requirement to file the Form 6-K with the Commission under the Rule.
- (2) The Rule relates only to supplementary filings. For example, a Form 8-K cannot be filed under subsection 75(2) of the Act in lieu of the form

required under that section unless permitted by securities legislation.

- (3) A supplementary issuer that files an AIF under National Instrument 44-101 Short Form Prospectus Distributions ("NI 44-101") in the form of a Form 10-K contemporaneously with the filing of the Form 10-K with the SEC satisfies the requirement to file an AIF under NI 44-101 and Rule 51-501 AIF and MD&A ("Rule 51-501"). There is no additional requirement to file the Form 10-K under the Rule.
- (4) A supplementary issuer that files an AIF under Rule 51-501 in the form of a Form 20-F must file the AIF within 140 days after its financial year end as required by subsection 2.1(4) of Rule 51-501.

**RESCISSION
OF ONTARIO SECURITIES COMMISSION
POLICY 51-603
RECIPROCAL FILINGS**

PART 1 RESCISSION

- 1.1** Rescission - OSC Policy 51-603 Reciprocal Filings is rescinded.

PART 2 EFFECTIVE DATE

- 2.1** Effective Date - This rescission comes into force on July 1, 2002.

6.1.3 Notice of Proposed Amendments to Rule 52-501

NOTICE OF PROPOSED AMENDMENTS TO RULE 52-501 FINANCIAL STATEMENTS

This notice is accompanied by the text of proposed amendments to Rule 52-501 Financial Statements ("Rule 52-501") which are being published for comment.

Substance and Purpose of Proposed Amendments

The substance and purpose of the proposed amendments to Rule 52-501 are to

- (a) amend the definition of "foreign issuer" in Rule 52-501 to correspond to that in Rule 45-102 Resale of Securities and proposed Rule 72-502 Continuous Disclosure and Other Exemptions relating to Foreign Issuers ("Rule 72-502") and to add a definition of "restricted shares";
- (b) continue the relief granted by paragraphs (9) and (10) of the order and rules implementing Ontario Securities Commission Policy 7.1 Application of Requirements of the Securities Act to Certain Reporting Issuers ("Policy 7.1") to all reporting issuers, other than mutual funds, from the requirement to send annual financial statements to security holders concurrently with the filing of the statements and from the requirement to send financial statements to holders of securities other than voting securities and restricted shares; and
- (c) require a reporting issuer, other than a mutual fund, to send interim financial statements required to be filed under subsection 2.2(2) of Rule 52-501 to holders of its voting securities and of its restricted shares.

The proposed amendments in (a) and (b) above are consequential amendments resulting from the reformulation of Policy 7.1 into proposed Rule 72-502. The proposed amendment in (c) closes a gap in the requirements to deliver interim financial statements to security holders.

Summary of Proposed Amendments

Section 1.1 of the proposed amendments amends Rule 52-501 by amending the definition of "foreign issuer" to correspond to the definition in proposed Rule 72-502, adding a definition of "restricted shares" and adding Part 3 Delivery of Financial Statements. Proposed subsection 3.1(1) of Rule 52-501 provides that a reporting issuer subject to Rule 52-501 is exempt from

- (a) the requirement of section 79 of the Act, other than the requirement to send financial statements to holders of voting securities and of restricted shares, and
- (b) the requirement of section 79 of the Act to send annual financial statements to security holders concurrently

with the filing of the statements under section 78 of the Act if the issuer sends the statements

- (i) concurrently with the sending of the information circular under clause 86(1)(a) of the Act, and
- (ii) within 140 days after the end of the financial year.

Proposed subsection 3.1(2) of Rule 52-501 requires an issuer to send interim financial statements filed under subsection 2.2(2) of Rule 52-501 to its security holders concurrently with the filing of the statements. The need for a delivery requirement in Rule 52-501 arises because the delivery requirement in section 79 of the Act is limited to annual and interim financial statements filed under the Act.

Section 2:1 provides that the amendments come into force on July 1, 2002.

Authority for Proposed Amendments

Paragraph 143(1)39 of the Act authorizes the Commission to make rules requiring or respecting the media, format, preparation, form, content, execution, certification, dissemination and other use, filing and review of all documents required under or governed by the Act, the regulations or the rules, including financial statements, proxies and information circulars.

Alternatives Considered

In proposing the addition of paragraph 3.1(1)(b) to Rule 52-501, the Commission considered whether it was necessary given that section 79 of the Act deems compliance by the issuer with the laws of its jurisdiction of incorporation, organization or continuance to be compliance with section 79. The Commission determined to broaden the relief to all reporting issuers other than mutual funds.

Unpublished Materials

In proposing amendments to Rule 52-501, the Commission has not relied on any significant unpublished study, report or other written materials.

Anticipated Costs and Benefits

The benefit provided by the proposed amendments is the reduction for issuers of delivery costs of continuous disclosure information. The proposed amendments impose no material costs.

Comments

Interested parties are invited to make written submissions with respect to the proposed amendments to Rule 52-501. Submissions received no later than January 11, 2002 will be considered. Given that the date of expiry of the rules implementing Policy 7.1 is July 1, 2002, submissions received after January 11, 2002 cannot be considered.

Submissions should be made in duplicate to:

c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 800, Box 55
Toronto, Ontario M5H 3S8

A diskette containing the submissions (in DOS or Windows format, preferably WordPerfect) should also be submitted. Comment letters submitted in response to requests for comment are placed on the public file and form part of the public record, unless confidentiality is requested. Although comment letters requesting confidentiality will not be placed on the public file, freedom of information legislation may require the Commission to make some letters available. Persons submitting comment letters should therefore be aware that the press and members of the public may be able to obtain access to any comment letters.

Questions may be referred to:

Kathy Soden or Joan Beck
Ontario Securities Commission
(416) 593-8149/(416) 593-8254
ksoden@osc.gov.on.ca
jbeck@osc.gov.on.ca

Text of Proposed Amendments to Rule 52-501

The text of the proposed amendments to Rule 52-501 follows.

DATED: October 12, 2001.

**AMENDMENTS TO
ONTARIO SECURITIES COMMISSION RULE 52-501
FINANCIAL STATEMENTS**

PART 1 AMENDMENTS

1.1 Amendments - Rule 52-501 Financial Statements is amended by

- (a) renaming Part 1 as "Definitions and Application";
- (b) deleting section 1.1 and substituting therefor

"1.1 Definitions - In this Rule

"foreign issuer" means an issuer that is not incorporated or organized under the laws of Canada or a jurisdiction,¹ unless

- (a) outstanding voting securities carrying more than 50 percent of the votes for the election of directors are owned of record directly or indirectly by residents of Canada, and
- (b) any one or more of
 - (i) the majority of the senior officers or directors of the issuer are residents of Canada,
 - (ii) more than 50 percent of the assets of the issuer are located in Canada, or
 - (iii) the business of the issuer is administered principally in Canada; and

"restricted shares" has the meaning ascribed to that term in Rule 56-501 Restricted Shares."

- (c) adding

"Part 3 Delivery of Financial Statements

3.1 Delivery of Financial Statements

- (1) A reporting issuer subject to this Rule is exempt from
 - (a) the requirement of section 79 of the Act, other than the requirement to send financial statements to the holders of voting securities and of restricted shares; and

¹ The term "jurisdiction" is defined in National Instrument 14-101 Definitions as "means a province or territory of Canada except when used in the term foreign jurisdiction".

- (b) the requirement of section 79 of the Act to send annual financial statements to security holders concurrently with the filing of the statements under section 78 of the Act if the issuer sends the statements
 - (i) concurrently with the sending of the information circular under clause 86(1)(a) of the Act, and
 - (ii) within 140 days after the end of the financial year.
- (2) An issuer shall send interim financial statements required to be filed under subsection 2.2(2) to the holders of its voting securities and of its restricted shares concurrently with the filing of the statements.";
- (d) renumbering Part 3 Transition as Part 4 and section 3.1 as section 4.1; and
- (e) renumbering Part 4 Exemption as Part 5 and section 4.1 as section 5.1.

PART 2 EFFECTIVE DATE

- 2.1 Effective Date** - These Amendments come into force on July 1, 2002.

Chapter 7

Insider Reporting

This chapter is available in the print version of the OSC Bulletin, as well as as in Carswell's internet service SecuritiesSource (see www.carswell.com).

This chapter contains a weekly summary of insider transactions of Ontario reporting issuers in the System for Electronic Disclosure by Insiders (SEDI). The weekly summary contains insider transactions reported during the seven days ending Sunday at 11:59 pm.

To obtain Insider Reporting information, please visit the SEDI website (www.sedi.ca).

Chapter 8

Notice of Exempt Financings

Exempt Financings

The Ontario Securities Commission reminds issuers and other parties relying on exemptions that they are responsible for the completeness, accuracy, and timely filing of Forms 45-501F1 and 45-501F2, and any other relevant form, pursuant to section 72 of the *Securities Act* and OSC Rule 45-501 ("Exempt Distributions").

Reports of Trades Submitted on Form 45-501f1

<u>Trans. Date</u>	<u>Security</u>	<u>Price (\$)</u>	<u>Amount</u>
06Aug01 to 28Sep01	724 Solution Inc. - Common Shares	254,800	53,400
05Sep01	AGII RRSP Growth Fund - Trust Units	3,000	401
01Jul01	Ascendant Limited Partnership - Limited Partnership Units	200,000	204
20Sep01	Borealis Capital Corporation - Class B and C Common Shares	11,218,319, 7,981,681	5,000,000, 3,557,432 Resp.
27Sep01	Brilliant Power Funding Corporation - Series B Brilliant Project Bonds	8,000,000	8,000,000
24Sep01	Burgundy Japan Fund USD -	US\$183,599	18,958
06Sep01	Canada's Choice Spring Water, Inc. - Special Warrants	151,250	275,000
07Sep01	Canada's Choice Spring Water, Inc. - Common Shares	6,800,000	12,363,636
06Sep01	Canada's Choice Spring Water, Inc. - Units	1,500,000	1,500,000
26Sep01	CARQUEST Canada Ltd. - 7.43% Senior Notes due September 26, 2011	\$33,000,000	\$33,000,000
14Sep01	Caxton Group Inc. - Special Shares	802,764	2,293,614
19Sep01	CC&L Money Market Fund - Units	150,000	16,668
21Sep01	CC&L American Equity Fund - Units	152,175	21,007
17Sep01	CC&L Balanced Fund - Units	75,772	7,199
05Sep01	CC&L Balanced Fund - Units	189,928	17,143
17Sep01	CC&L Private Client Diversified Fund - Units	6,586	785
14Aug01	CC&L Private Client Diversified Fund - Units	449,999	48,159
19Sep01	CC&L US Equity Fund - Units	438,832	43,883
13Sep01	ClearPluse Corp. - Series A Preferred Shares and Common Share Purchase Warrants	US\$1,500,000	1,200,000, 1,200,000 Resp.
31Aug01	COGNICASE Inc. - Common Shares	173,875	20,218
17Sep01	Convedia Corporation - Series I Preference Shares	6,260,000	8,888,889
27Sep01	East West Resource Corporation - Common Shares	3,250	25,000
18Sep01	Energy Exploration Technologies - Common Stock	37,193	21,000
03Jul01 to 20Aug01	Integrative Proteomics, Inc. - Preference Shares	26,083,616	6,273,062
23Jul01	KBSH Private - European Fund - Units	5,270,523	409,011
13Aug01	KBSH Private - Canadian Equity Fund - Units	500,000	33,688
23Jul01	KBSH Private - International Fund - Units	7,128,830	653,002
13Aug01	KBSH Private - U.S. Equity Fund - Units	300,000	17,211
23Jul01	KBSH Private - U.S. Equity Fund - Units	8,367,900	479,681
02Aug01	KBSH Private - Bond Fund - Units	2,000,000	199,780
23Jul01	KBSH Private - Pacific Basin Fund - Units	2,735,063	193,290

Notice of Exempt Financings

<u>Trans. Date</u>	<u>Security</u>	<u>Price (\$)</u>	<u>Amount</u>
23Jul01	KBSH Private - Emerging Markets Fund - Units	766,451	116,393
27Sep01	Kinross Gold Corporation - Common Shares	3,500,000	2,000,000
06Sep01	Koninklijke Ahold N.V. - Common Shares	888,048	30,000
06Sep01	Koninklijke Ahold N.V. - Common Shares	2221,005	5,000
19Sep01	Macyro Group Inc., The - Common Shares	2,796,072	2,330,060
20Sep01	Maxxum Financial Services - Class A Units	150,000	1,374
21Sep01	MCK Mining Corp. - Units	300,000	1,000,000
26Sep01	Minefinders Corporation Ltd. - Units	554,182	481,898
25Sep01	NIF-T - Class B Subordinated Medium Term Notes, Series 2001-1	\$8,800,000	\$48,800,000
25Sep01	NIF-T - Class A-3 Senior Medium Term Notes, Series 2001-1	\$114,157,198	\$114,157,198
26Sep01	Northern Crown Resources Ltd. - Special Warrants	1,200,000	1,200,000
30Sep01	Performance Group #1 Limited Partnership - Limited Partnership Units	150,000	131
02Oct01	Silvercreek Limited Partnership - Units	679,589	73,660
22Sep01	Sonomax Hearing Healthcare Inc. - Units	150,000	400,000
10Aug01	Stonestreet Limited Partnership - Limited Partnership Units	2,724,290	232,614
28Mar01 to 10Jul01	Stonestreet Limited Partnership - Limited Partnership Units - Amended	3,792,750	352,824
17Sep01	Stratic Energy Corporation - Special Warrants	999,999	1,818,181
26Sep01	System Retail Systems Inc. - Series C Convertible Preferred Shares	31,136,095	1,174,947
19Sep01	Telesystem International Wireless Inc. - 14% Senior Guaranteed Notes due December 30, 2003	US\$3,400,580	\$3,400,580
31May01	Thales Active Asset Allocation Fund - Limited Partnership Units (Series A)	150,000	142
17Jul01	Thales Active Asset Allocation Fund - Limited Partnership Units (Series A)	150,000	142
18May01	Thales Active Asset Allocation Fund - Limited Partnership Units (Series A)	150,000	142
09Aug01	Thales Active Asset Allocation Fund - Limited Partnership Units (Series A)	150,000	142
07Sep01	Trident Global Opportunities Fund - Units	230,000	2,144
28Oct01	Twenty-First Century Canadian Equity Fund - Units	150,000	25,304
01Oct01	Upper Circle Equity Fund, The - Units	150,000	12,448
20Sep01	Zim Technologies International Inc. - Special Shares Convertible	4,163,500	4,163,500

Reports Made under Subsection 5 of Subsection 72 of the Act with Respect to Outstanding Securities of a Private Company That Has Ceased to Be a Private Company -- (Form 22)

<u>Name of Company</u>	<u>Date the Company Ceased to be a Private Company</u>
Caxton Group Inc.	14Aug01
Zim Technologies International Inc.	12Jul01

Notice of Intention to Distribute Securities Pursuant to Subsection 7 of Section 72 - (Form 23)

<u>Seller</u>	<u>Security</u>	<u>Amount</u>
Mullan, Glenn J.	Canadian Royalties Inc. - Common Shares	400,000
Black, Conrad M.	Hollinger Inc. - Series II Preference Shares	1,611,039
Schad Family Trust	Husky Injection Moulding Systems Ltd. - Common Shares	161,558
1461940 Ontario Inc.	Husky Injection Moulding Systems Ltd. - Common Shares	200,000
The Schad Foundation	Husky Injection Moulding Systems Ltd. - Common Shares	350,000
Martin, Rick	Liberty Oil & Gas Ltd. - Common Shares	69,234
Gastle, William J.	Microbix Biosystems Inc. - Common Shares	495,000
Gastle, Susan M.S.	Microbix Biosystems Inc. - Common Shares	245,000
Hawkins, Stanley G.	Tandem Resources Ltd. - Common Shares	2,000,000
Mourin, Stanley	Western Troy Capital Resources Inc. - Common Shares	60,000

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Chapter 9
Legislation

THERE IS NO MATERIAL FOR THIS CHAPTER
IN THIS ISSUE

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Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:

Loblaw Companies Limited
Principal Regulator - Ontario

Type and Date:

Preliminary Short Form Prospectus dated October 9th, 2001
Mutual Reliance Review System Receipt dated October 9th, 2001

Offering Price and Description:

\$ * - 4,200,000 Common Shares @ \$ * per Common Share

Underwriter(s) or Distributor(s):

CIBC World Markets Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
National Bank Financial Inc.
Scotia Capital Inc.
Merrill Lynch Canada Inc.
Harris Partners Limited

Promoter(s):

-

Project #393191

Issuer Name:

StrategicNova Canadian Dividend Fund Ltd.
StrategicNova Commonwealth World Balanced Fund Ltd.
StrategicNova U.S. Large Cap Growth Fund Ltd.
Principal Regulator - Ontario

Type and Date:

Amendment #1 dated October 3rd, 2001 to Preliminary
Simplified Prospectus dated July 30th, 2001
Mutual Reliance Review System Receipt dated October 5th,
2001

Offering Price and Description:

(Series O Shares)

Underwriter(s) or Distributor(s):**Promoter(s):**

-

Project #376939

Issuer Name:

ST(asterisk)RS Income Fund
Principal Regulator - Ontario

Type and Date:

Preliminary Prospectus dated October 9th, 2001
Mutual Reliance Review System Receipt dated October 10th,
2001

Offering Price and Description:

\$ * (Maximum) @ \$10.00 per Unit

Underwriter(s) or Distributor(s):

CIBC World Markets Inc.
RBD Dominion Securities Inc.
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
TD Securities Inc.
HSBC Securities (Canada) Inc.
Middlefield Securities Limited
Raymond James Ltd.
Canaccord Capital Corporation
Desjardins Securities Inc.
Dundee Securities Corporation
Wellington West Capital Inc.
Yorkton Securities Inc.

Promoter(s):

Middlefield Group Limited
Middlefield STR Management Limited
Project #393213

Issuer Name:

TransCanada Power, L.P.
Principal Regulator - Alberta

Type and Date:

Preliminary Short Form Prospectus dated October 5th, 2001
Mutual Reliance Review System Receipt dated October 5th,
2001

Offering Price and Description:

\$174,894,000 - 5,660,000 Limited Partnership Units
(redeemable)

Underwriter(s) or Distributor(s):

BMO Nesbitt Burns Inc.
Merrill Lynch Canada Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
Scotia Capital Inc.
National Bank Financial Inc.
FirstEnergy Capital Corp.
Raymond James Ltd.

Promoter(s):

-

Project #392962

Issuer Name:

The Hartford U.S. Stock Fund
The Hartford U.S. Capital Appreciation Fund
The Hartford Global Leaders Fund
The Hartford Money Market Fund
The Hartford Bond Fund
The Hartford Advisors Fund
The Hartford Canadian Stock Fund
Principal Regulator - Ontario

Type and Date:

Amendment #1 dated October 1, 2001 to Simplified Prospectus and Annual Information Form dated April 25th, 2001

Mutual Reliance Review System Receipt dated 9th day of October, 2001

Offering Price and Description:

-
Underwriter(s) or Distributor(s):

Promoter(s):

-
Project #336386

Issuer Name:

Defiant Energy Corporation
Principal Regulator - Alberta

Type and Date:

Final Prospectus dated October 9th, 2001

Mutual Reliance Review System Receipt dated 10th day of October, 2001

Offering Price and Description:

-
Underwriter(s) or Distributor(s):

Promoter(s):

-
Project #377544

Issuer Name:

THE FRIEDBERG CURRENCY FUND
Principal Regulator - Ontario

Type and Date:

Final Prospectus dated October 4th, 2001

Mutual Reliance Review System Receipt dated 5th day of October, 2001

Offering Price and Description:

-
Underwriter(s) or Distributor(s):

Friedberg Mercantile Group

Promoter(s):

-
Project #382948

Issuer Name:

John Hancock Canadian Corporation
Principal Regulator - Nova Scotia

Type and Date:

Final Short Form Prospectus dated October 9th, 2001
Mutual Reliance Review System Receipt dated 9th day of October, 2001

Offering Price and Description:

Underwriter(s) or Distributor(s):

BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.

Promoter(s):

John Hancock Financial Services, Inc.
Project #391487

Issuer Name:

GEORGE WESTON LIMITED
Principal Regulator - Ontario

Type and Date:

Final Short Form Shelf Prospectus dated October 4th, 2001
Mutual Reliance Review System Receipt dated 4th day of October, 2001

Offering Price and Description:

-
Underwriter(s) or Distributor(s):

Promoter(s):

-
Project #390606

Issuer Name:

RIOCAN REAL ESTATE INVESTMENT TRUST
Principal Regulator - Ontario

Type and Date:

Final Short Form Shelf Prospectus dated October 4th, 2001
Mutual Reliance Review System Receipt dated 5th day of October, 2001

Offering Price and Description:

-
Underwriter(s) or Distributor(s):

Promoter(s):

-
Project #388889

Issuer Name:

Wells Fargo Financial Canada Corporation
(Formerly, Norwest Financial Canada Company)
Principal Regulator - Ontario

Type and Date:

Final Short Form Shelf Prospectus dated October 3rd, 2001
Mutual Reliance Review System Receipt dated 9th day of
October, 2001

Offering Price and Description:

-

Underwriter(s) or Distributor(s):

CIBC WORLD MARKETS INC.
RBC DOMINION SECURITIES INC.
BMO NESBITT BURNS INC.
TD SECURITIES INC.

Promoter(s):

-

Project #387310

Issuer Name:

Croft Select Securities Fund
Croft Enhanced Income Fund
Principal Regulator - Ontario

Type and Date:

Final Simplified Prospectus and Annual Information Form
dated October 3rd, 2001
Mutual Reliance Review System Receipt dated 5th day of
October, 2001

Offering Price and Description:

-

Underwriter(s) or Distributor(s):

-

Promoter(s):

-

Project #386928

Issuer Name:

Fidelity Canadian Aggressive Fund
Fidelity Canadian Growth Company Fund
Fidelity Canadian Large Cap Fund
Fidelity Disciplined Equity Fund
Fidelity True North Fund
Fidelity American Opportunities Fund
Fidelity RSP American Opportunities Fund
Fidelity Growth America Fund
Fidelity RSP Growth America Fund
Fidelity Small Cap America Fund
Fidelity Emerging Markets Portfolio Fund
Fidelity European Growth Fund
Fidelity RSP European Growth Fund
Fidelity Far East Fund
Fidelity RSP Far East Fund
Fidelity International Portfolio Fund
Fidelity RSP International Portfolio Fund
Fidelity Japanese Growth Fund
Fidelity RSP Japanese Growth Fund
Fidelity Latin American Growth Fund
Fidelity Overseas Fund
Fidelity RSP Overseas Fund
Fidelity Focus Consumer Industries Fund
Fidelity Focus Financial Services Fund
Fidelity RSP Focus Financial Services Fund
Fidelity Focus Health Care Fund
Fidelity RSP Focus Health Care Fund
Fidelity Focus Natural Resources Fund
Fidelity Focus Technology Fund
Fidelity RSP Focus Technology Fund
Fidelity Focus Telecommunications Fund
Fidelity RSP Focus Telecommunications Fund
Fidelity Canadian Asset Allocation Fund
Fidelity Global Asset Allocation Fund
Fidelity RSP Global Asset Allocation Fund
Fidelity Canadian Balanced Fund
Fidelity Canadian Bond Fund
Fidelity Canadian Short Term Bond Fund
Fidelity American High Yield Fund
(Series A, F & O Units)
Fidelity Canadian Money Market Fund
Fidelity U.S. Money Market Fund
(Series A Units)

Principal Regulator - Ontario

Type and Date:

Final Simplified Prospectus and Annual Information Form
dated September 28th, 2001
Mutual Reliance Review System Receipt dated 4th day of
October, 2001

Offering Price and Description:

Underwriter(s) or Distributor(s):

Promoter(s):

Project #383052

Issuer Name:

Premium Canadian Income Fund
Principal Regulator - Ontario

Type and Date:

Final Simplified Prospectus and Annual Information Form
dated October 2nd, 2001

Mutual Reliance Review System Receipt dated 4th day of
October, 2001

Offering Price and Description:

Underwriter(s) or Distributor(s):

Promoter(s):

-
Project #386509

Issuer Name:

TD Managed Income Portfolio
TD Managed Income & Moderate Growth Portfolio
TD Managed Balanced Growth Portfolio
TD Managed Aggressive Growth Portfolio
TD Managed Maximum Equity Growth Portfolio
TD Managed Income RSP Portfolio
TD Managed Income & Moderate Growth RSP Portfolio
TD Managed Balanced Growth RSP Portfolio
TD Managed Aggressive Growth RSP Portfolio
TD Managed Maximum Equity Growth RSP Portfolio
TD FundSmart Managed Income Portfolio
TD FundSmart Managed Income & Moderate Growth Portfolio
TD FundSmart Managed Balanced Growth Portfolio
TD FundSmart Managed Aggressive Growth Portfolio
TD FundSmart Managed Maximum Equity Growth Portfolio
TD FundSmart Managed Income RSP Portfolio
TD FundSmart Managed Income & Moderate Growth RSP
Portfolio
TD FundSmart Managed Balanced Growth RSP Portfolio
TD FundSmart Managed Aggressive Growth RSP Portfolio
TD FundSmart Managed Maximum Equity Growth RSP
Portfolio
(Investor Series Units)
TD Managed Index Income Portfolio
TD Managed Index Income & Moderate Growth Portfolio
TD Managed Index Balanced Growth Portfolio
TD Managed Index Aggressive Growth Portfolio
TD Managed Index Maximum Equity Growth Portfolio
TD Managed Index Income RSP Portfolio
TD Managed Index Income & Moderate Growth RSP Portfolio
TD Managed Index Balanced Growth RSP Portfolio
TD Managed Index Aggressive Growth RSP Portfolio
TD Managed Index Maximum Equity Growth RSP Portfolio
(Investor Series Units and e-Series Units)
Principal Regulator - Ontario

Type and Date:

Final Simplified Prospectus and Annual Information Form
dated October 9th, 2001

Mutual Reliance Review System Receipt dated 9th day of
October, 2001

Offering Price and Description:

Underwriter(s) or Distributor(s):

Promoter(s):

-
Project #374425

Issuer Name:

Algorithmics Incorporated
Principal Jurisdiction - Ontario

Type and Date:

Preliminary Prospectus dated March 7th, 2001
Withdrawn on October 3rd, 2001

Offering Price and Description:

\$ * - * Common Shares @ \$ * per Common Shares

Underwriter(s) or Distributor(s):

CIBC World Markets Inc.
RBC Dominion Securities Inc.
J.P. Morgan Securities Canada Inc.
TD Securities Inc.

Promoter(s):

-
Project #337465

Issuer Name:

Algorithmics Incorporated
Principal Jurisdiction - Ontario

Type and Date:

Amended and Restated Preliminary Prospectus dated June
7th, 2001

Withdrawn on October 3rd, 2001

Offering Price and Description:

\$ * - * Common Shares @ \$ * per Common Share

Underwriter(s) or Distributor(s):

CIBC World Markets Inc.
RBC Dominion Securities Inc.
J.P. Morgan Securities Canada Inc.
TD Securities Inc.

Promoter(s):

-
Project #337465

Issuer Name:

Algorithmics Incorporated
Principal Jurisdiction - Ontario

Type and Date:

Preliminary Prospectus dated March 7th, 2001
Withdrawn on October 3rd, 2001

Offering Price and Description:

US\$29,520,197 principal amount Series 3 Convertible Notes

Underwriter(s) or Distributor(s):

Promoter(s):

-
Project #337473

Issuer Name:

Algorithmics Incorporated
Principal Jurisdiction - Ontario

Type and Date:

Amended and Restated Preliminary Prospectus dated June
7th, 2001

Withdrawn on October 3rd, 2001

Offering Price and Description:

US\$29,520,197 principal amount Series 3 Convertible Notes

Underwriter(s) or Distributor(s):

Promoter(s):

-
Project #337473

Chapter 12

Registrations

12.1.1 Securities

Type	Company	Category of Registration	Effective Date
New Registration	Boucher & Company Inc. Attention: Paul Ronald Joseph Boucher 14 Moore Avenue Toronto ON M4T 1V3	Limited Market Dealer (Conditional)	Oct 05/01
New Registration	George Thomas Smart Attention: Lloyd Smart 5 Capron Street Paris ON N3L 1P8	Limited Market Dealer (Conditional)	Oct 04/01
Change in Category	Blue Heron Wealth Management Inc. Attention: Stephen Zeff Freedman 40 University Avenue Main Floor Toronto ON M5J 1T1	From: Mutual Fund Dealer To: Mutual Fund Dealer Limited Market Dealer (Conditional)	Oct 05/01
Change in Category	Galaxy Capital Management Inc. Attention: Diane Urquhart 1486 Marshwood Place Mississauga ON L5J 4J6	From: Investment Counsel / Portfolio Manager Limited Market Dealer (Conditional) To: Limited Market Dealer (Conditional)	Aug 28/01
Change in Category	Martin + Becker Financial Management Ltd. Attention: Thomas Barnewall Martin 357 Bay Street Suite 402 Toronto ON M5H 2T7	From: Securities Dealer To: Mutual Fund Dealer Limited Market Dealer (Conditional)	Oct 01/01

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1 SRO Notices And Disciplinary Decisions

13.1.1 Application for Recognition of Market Regulation Services Inc.

APPLICATION FOR RECOGNITION OF MARKET REGULATION SERVICES INC. - NOTICE AND REQUEST FOR COMMENTS

Market Regulation Services Inc. (RS Inc.) has applied to be recognized as a self-regulatory organization (SRO) in Alberta, British Columbia, Manitoba, Ontario and Québec (the "Recognizing Regulators"). RS Inc. will operate as a regulatory services provider under the Alternative Trading System (ATS) proposal and will administer and enforce trading rules for the marketplaces that retain its services.

The Recognizing Regulators are publishing for comment the application for recognition of RS Inc. (the "Application") and the following additional related documents. These documents are attached.

1. Proposed criteria for recognition – In the Application, RS Inc. responded to each of the recognition criteria prepared by the Recognizing Regulators. Following the comment process and resolution of all outstanding issues, each Recognizing Regulator expects to issue an order recognizing RS Inc. with terms and conditions based on the recognition criteria.
2. Rules and Policies - The Universal Market Integrity Rules (UMIRs) are subject to approval by the Recognizing Regulators. The exchanges that contract with RS Inc. will adopt the UMIRs and RS Inc. will also adopt the UMIRs to govern the activities of ATSs that contract with it.
3. Oversight program - The Recognizing Regulators will establish an oversight program for RS Inc. under a Memorandum of Understanding (MOU). The MOU includes a protocol for the joint review and approval of rules, policies and other similar instruments of RS Inc., the filing of significant changes to RS Inc.'s operations, and the performance of examinations of RS Inc.'s regulation services.

A. Background

In July 2000, the Canadian Securities Administrators (CSA) published the Alternative Trading System (ATS)-proposal without taking a position on how market regulation should be performed for the equity market. The request for comment invited industry participants to consider possible solutions. The CSA made it clear that it was willing to participate in

discussions but was looking to the industry to propose alternatives for market regulation in the equity market.

In response to the market regulation aspect of the request for comment, the Toronto Stock Exchange Inc. (TSE) and the Investment Dealers Association of Canada (IDA) jointly proposed to create RS Inc. to perform market regulation for the equity market.

B. Recognition of RS Inc.

Staff of RS Inc. and of the Recognizing Regulators have engaged in extensive discussions leading to the publication of the recognition criteria and the Application.

There are proposed recognition criteria for each of the following areas:

1. Corporate Governance
2. Fees
3. Access
4. Financial Viability
5. Capacity to Perform Regulatory Functions
6. Capacity and Integrity of Systems
7. Purpose of Rules
8. Rules and Rule-Making
9. Financial Statements
10. Discipline Rules
11. Due Process
12. Information Sharing
13. Additional Information and Compliance with Oversight

RS Inc. must meet each of the recognition criteria to the satisfaction of the Recognizing Regulators.

Specific areas for comment

We are seeking comments on all aspects of the proposed criteria for recognition and the Application. We also request specific comment on the matters identified below and we have highlighted certain other important aspects of RS Inc.'s Application.

1. Conflicts of Interest

In the Notice published with the ATS Rules on August 17 (August 31 in Québec), the Recognizing Regulators indicated that they were examining the Application to determine if it was not contrary to the public interest to recognize RS Inc. as an SRO. Among the factors considered was "the ability of both owners of RS Inc. to avoid or manage situations of conflicts of interest relating to the self-regulatory obligations of RS Inc."

Initially, both the TSE and IDA would own 50% of RS Inc. This initial ownership structure could evolve with the addition of other marketplaces if and when they reach certain levels of Canadian equity market share. Corporate governance rules

are also proposed in order to ensure the appointment of "independent directors" and other marketplaces' representatives on the initial RS Inc. Board (see Section 2 below).

Question 1:

Do the proposed ownership structure and corporate governance rules of RS Inc. avoid or adequately manage conflicts of interest related to its status as a self-regulatory organization?

2. Corporate Governance

Calculation

The initial RS Inc. Board will be composed of 11 directors: 5 independent directors; 5 non-independent directors and the president of RS Inc. who will be deemed to be neither independent nor non-independent. The TSE and the IDA will each appoint 2 non-independent directors. The fifth non-independent director, who will be deemed to be neither a representative of the TSE nor of the IDA, will be an individual with experience with the Canadian venture capital market appointed jointly by the TSE and the IDA. However, if CDNX becomes regulated by RS Inc. and reaches or exceeds a "Market Share" of 10% of the Canadian equity securities market, CDNX will be entitled to nominate the fifth non-independent director. "Market Share" is calculated on the trading activity of the previous calendar year, based on 25% trading value, 25% trading volume and 50% number of trades. This calculation is used for various purposes in the Application. We request comment on whether the calculation for purposes of determining Market Share is appropriate.

Question 2:

Is the calculation for determining Market Share appropriate (i.e., 25% trading value, 25% trading volume and 50% number of trades)?

ATS representation

RS Inc. proposes that its board include at least one ATS representative at all times. This representative will be considered to be an independent director until such time as the ATS that such individual is associated or affiliated with becomes a marketplace regulated by RS Inc. or the individual becomes a marketplace participant. Thereafter, the representative of ATSs will be considered to be a non-independent director. RS Inc. proposes to permit each ATS that attains a 10% Market Share (as defined above) to appoint a representative to the Board.

Question 3:

Does RS Inc.'s proposal for ensuring that there is at least one ATS representative on its board at all times do so appropriately?

Definition of Independent Director

RS Inc. proposes to define "independent director" as excluding a marketplace, a marketplace participant, a shareholder of RS Inc. and an affiliated entity of any of the above. The proposal to exclude marketplace participants from the definition of

"independent director" has the effect of excluding both dealer and non-dealer subscribers of an ATS. For example, individuals who are subscribers of an ATS would not be eligible to be independent directors of RS Inc. We request comment on the appropriateness of the criteria for an "independent director".

RS Inc. also proposes to include as a guideline for the selection of independent directors that its Governance Committee consider any affiliations the candidate has had with any exchange, quotation and trade reporting system or ATS in determining whether the candidate is qualified to act as an independent director.

Question 4:

Is the definition of "independent director" appropriate? Should there be a "cooling off" period before an individual who has been associated with any exchange, quotation and trade reporting system or ATS can be considered eligible to serve as an independent director of RS Inc.?

3. Fees

RS Inc.'s proposal states that RS Inc. will allocate the cost of regulation market-by-market. In other words, the fees for ATSs that facilitate trading in securities listed on an exchange in Canada will be based on RS Inc.'s cost of regulating that Canadian exchange and any ATSs trading that exchange's listed securities. For example, an exchange-traded security would have the same cost of regulation whether it is traded on an exchange or on an ATS. The fee model may raise issues of cross-subsidization between the ATS and the exchange where the securities are listed and we need to ensure that the proposed fee model is not a barrier to entry for ATSs.

Question 5:

Please comment on the proposed fee model, allocating costs on a market-by-market basis and, in particular, whether it would create a barrier to entry for ATSs.

ATSs may also trade foreign securities. RS Inc. proposes that for determining fees, it will consider foreign securities not traded on a Canadian exchange as a distinct market. RS Inc. will base the fees charged to ATSs that facilitate trading in securities listed or quoted only on a foreign exchange on RS Inc.'s cost of regulating those securities. A security listed only on a foreign exchange might have a substantially different cost of regulation from a security listed on a Canadian exchange.

Question 6:

Is the fee model proposed by RS Inc. fair and reasonable with respect to allocating costs to ATSs that trade foreign securities?

In addition, the TSE will provide certain services to RS Inc. (such as information systems) based on cost plus mark-up of up to 15%. RS Inc. retained an independent consultant to review its proposed cost allocation methodology and, in general, the report concludes that RS Inc.'s overall cost allocation model is reasonable. However, RS Inc. has not yet finalized its budget. RS Inc. has agreed to provide a report on

cost allocation by November 10, 2001, once it has finalized its budget.

The TSE proposes to allocate the full cost of these services to RS Inc. and add a surcharge on each allocation.

Question 7:

Please comment on whether a surcharge of up to 15% on the cost of the services the TSE will provide to RS Inc. is appropriate.

4. Access

RS Inc. proposes to require each marketplace that contracts with it to have systems in place that meet its requirements for surveillance and reporting. This means that marketplaces would have to provide data feeds to RS Inc. in STAMP format or in such other format (including FIX format) as may be required by RS Inc. from time to time.

Question 8:

What would be the approximate cost to an ATS of providing data in STAMP format initially?
What would be an appropriate phase-in period for RS Inc. to accept data in FIX format?

RS Inc. also proposes that all marketplaces give RS Inc. staff access to their systems to implement regulatory decisions such as halting stocks, releasing stock freezes, etc.

Question 9:

Please comment on whether it is appropriate for RS Inc. to require that a marketplace give RS Inc. staff access to its systems to implement regulatory decisions.

5. Financial Viability

RS Inc. will be a not-for-profit organization. At start-up, the TSE and the IDA will provide RS Inc. funding through a long-term loan facility. RS Inc. proposes to repay this debt over several years and it will constitute part of the operating expenses to be recovered from marketplaces or marketplace participants. The loan will cover RS Inc.'s start-up operation costs. RS Inc. will disclose the terms of the loan facility once details have been finalized.

6. Capacity and Integrity of Systems

At least initially, RS Inc. intends to use the TSE's surveillance systems.

Universal Market Integrity Rules

The CSA published the UMIRs for comment on April 20, 2001¹ and received approximately 25 comment letters. The UMIRs are a joint initiative of the TSE and CDNX.

Several commenters raised issues concerning the applicability of the UMIRs to marketplaces other than equity auction marketplaces (such as the TSE and CDNX). There were also comments concerning particular aspects of the rules such as the scope of authority. Staff are still in the process of assessing the comment letters received.

RS Inc. intends to adopt the UMIRs as its "market integrity" trading rules. **The Recognizing Regulators have not approved the proposed UMIRs published with this notice.** The Recognizing Regulators will be reviewing and approving the final version of the UMIRs, including any changes from the version published on April 20, 2001, in connection with the recognition of RS Inc.

Oversight Program

We are publishing the MOU and other documents relating to the oversight program for RS Inc.

C. Comment Process

You are asked to provide your comments in writing and to send them on or before **November 9, 2001** to all of the CSA listed below in care of the OSC, in duplicate, as indicated below:

British Columbia Securities Commission
Alberta Securities Commission
The Manitoba Securities Commission
Ontario Securities Commission

c/o John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West
Suite 1903, Box 55
Toronto, Ontario M5H 3S8
E-mail: jstevenson@osc.gov.on.ca

Please also send your submission to the Commission des valeurs mobilières du Québec as follows:

Denise Brosseau, Secretary
Commission des valeurs mobilières du Québec
800 Victoria Square
Stock Exchange Tower
P.O. Box 246, 22nd Floor
Montréal, Québec H4Z 1G3
E-mail: denise.brosseau@cvmq.com

We request that you submit a diskette containing your submission (in DOS or Windows format, preferably WordPerfect). The confidentiality of submissions cannot be maintained because securities legislation in certain provinces requires that a summary of written comments received during the comment period be published.

Following the comment period, staff of the Recognizing Regulators will consider the comments received on the proposed criteria for recognition, the Application and the related documents. If staff of the Recognizing Regulators are satisfied that RS Inc. meets the criteria for recognition, they will recommend that their Commissions recognize RS Inc. as an SRO. Recognition will take the form of a recognition order with terms and conditions generally in the form of those attached to this notice.

¹ See CSA Request for Comment 23-401.

SRO Notices and Disciplinary Decisions

If you have questions, you may contact:

Louyse Gauvin
British Columbia Securities Commission
Special Advisor to the Chair
(604) 899-6538 or (800) 373-6393 (in B.C.)

Meg Tassie
British Columbia Securities Commission
Advisor, Capital Market Regulation
(604) 899-6819 or (800) 373-6393 (in B.C.)

Glenda Campbell
Vice-Chair
Alberta Securities Commission
(403) 297-4230

Cindy Petlock
Ontario Securities Commission
Manager, Market Regulation
(416) 593-2351

Susan Greenglass
Ontario Securities Commission
Legal Counsel, Market Regulation
(416) 593-8140

Diane Joly
Directrice de la recherche et du développement des
marchés
Commission des valeurs mobilières du Québec
(514) 940 2199 (ext. 4552)

Pierre Godin
Conseiller spécial à la présidence,
Commission des valeurs mobilières du Québec
(514) 940 2199 (ext. 4541)

Doug Brown
Counsel & Director
Manitoba Securities Commission
(204) 945-0605

13.1.2 Application for Recognition of RS Inc.



INVESTMENT DEALERS ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DES COURTIERS EN VALEURS MOBILIÈRES

TSE

Toronto Stock Exchange

VIA FAX (416-593-8240), E-MAIL & DELIVERED

September 28, 2001

Alberta Securities Commission
4th Floor, Stock Exchange Tower
300 5th Avenue S.W.
Calgary, Alberta
T2P 3C4

Attention: Stephen P. Sibold, Q.C., Chair

British Columbia Securities Commission
12th Floor, Pacific Centre
P.O. Box 10142
701 West Georgia Street
Vancouver, British Columbia
V7Y 1L2

Attention: Douglas M. Hyndman, Chair

Commission des valeurs mobilières
du Québec
800, Square Victoria, 22^e Étage
C.P. 246, Tour de la Bourse
Montréal, Québec
H4Z 1G3

Attention: Carmen Crépin, Présidente

Ontario Securities Commission
20 Queen Street West
Box 55, 19th Floor
Toronto, Ontario

Attention: David Brown, Chair

The Manitoba Securities Commission
1130 Broadway
Winnipeg, Manitoba
R3C 3S8

Attention: Donald Murray, Chair

Dear Sirs/Mesdames:

**Re: Application for Recognition of
Market Regulation Services Inc. ("RS Inc.")**

Introduction

This letter sets out the joint application of The Toronto Stock Exchange Inc. ("TSE") and the Investment Dealers Association of Canada ("IDA") on behalf of RS Inc. to the Ontario Securities Commission, the Alberta Securities Commission, the British Columbia Securities Commission, the Commission des valeurs du mobilières du Québec and The Manitoba Securities Commission, which are collectively the members of the Canadian Securities Administrators ("CSA") with jurisdiction, to recognize RS Inc. as a self-regulatory organization ("SRO") in accordance with the applicable securities legislation. RS Inc. intends to become a regulation service provider ("RSP") pursuant to the criteria published in National Instrument 23-101. It is understood that the TSE and Canadian Venture Exchange Inc. ("CDNX") will make application to the applicable securities regulatory authorities with respect to transferring their regulatory functions to RS Inc.

Securities Regulators

RS Inc. will provide all necessary notices and information to each jurisdiction recognizing RS Inc. as an SRO except as may be otherwise indicated in an applicable recognition order or directions provided by such jurisdictions.

Corporate Governance

The TSE and the IDA intend to enter into an agreement ("Agreement") regarding the corporate governance of RS Inc., a corporation incorporated under the Canada Business Corporations Act ("CBCA") on September 21, 2001. RS Inc.'s articles of incorporation are attached as Appendix A. RS Inc. will be a jointly-owned SRO and will act as an RSP in accordance with National Instruments 21-101 and 23-101. RS Inc. will provide independent market regulation services to the TSE, CDNX and any other marketplace, as defined for the purposes of National Instrument 21-101, wishing to retain RS Inc. as an RSP (a "marketplace"). Without limiting the foregoing, any recognized exchange or quotation and trade reporting system ("QTRS"), as well as any registered alternative trading system ("ATS"), may contract with RS Inc. to obtain market regulation services.

The proposed corporate governance model of RS Inc. reflects the current structure of the securities markets. RS Inc.'s draft corporate by-laws are attached as Appendix B. If that structure were to change significantly over time, the corporate governance model of RS Inc. would be reviewed to ensure it continues to reflect the market structure.

Ownership

Pursuant to the Agreement, the IDA will own 50% of RS Inc.'s shares on behalf of its members and the TSE will own the remaining 50%. The TSE intends to broaden its current

shareholder base, which consists primarily of its former members, by making its shares available to the public.

RS Inc. Board of Directors

The constituting documents of RS Inc. shall provide that its Board will have a maximum size of 25 Directors and a minimum size of 3 Directors. RS Inc.'s By-laws will provide that the initial Board will be composed of 11 directors: being 5 Independent Directors, 5 non-Independent Directors and the President of RS Inc., who shall be deemed to be neither Independent nor non-Independent. The definition of "Independent Director" is set out in Appendix C attached hereto. Each Director will be elected for a term of one year and shall be entitled to re-election. The Board will elect by simple majority a Chair from among the Directors, excluding the President. RS Inc. will provide the relevant securities regulators with notice of all appointments to the Board.

The TSE and the IDA will each appoint 2 non-Independent Directors. At start-up, the fifth non-Independent Director, who shall be deemed to be neither a representative of the TSE nor of the IDA, will be an individual who is associated with or experienced with the Canadian public venture capital market and shall be appointed jointly by the TSE and the IDA. In making such appointment the TSE and the IDA will utilize all advisory resources available, including the TSE/CDNX Advisory Board. Should CDNX become regulated by RS Inc. and reach or exceed 10% of the Canadian equity securities market (where market share ("Market Share") will be calculated on the trading activity of the previous calendar year, based on 25% of trading value, 25% of trading volume and 50% of number of trades), CDNX shall be entitled to nominate the fifth non-Independent Director in the place of the TSE and IDA for the next succeeding term. If, at the end of each term thereafter, CDNX's position in the previous calendar year does not reach or exceed 10% of the Market Share of the Canadian equity securities market then CDNX will not be entitled to representation in the subsequent term and the TSE and IDA shall again jointly nominate the fifth non-Independent Director, who shall be deemed to be neither a representative of the TSE nor of the IDA, and who will be an individual who is associated with or experienced with the Canadian public venture capital market.

There will be at all times one member of the Board who will be a representative of ATSS. This representative will be considered to be an Independent Director until such time as the ATS that such individual is associated or affiliated with becomes either a marketplace regulated by RS Inc. or an Access Person¹. Thereafter, the representative of ATSS will be considered to be a non-Independent Director.

As each new exchange (excluding CDNX), ATS and QTRS becomes regulated by RS Inc., it will be permitted to appoint a representative to the RS Inc. Board for a term of one year when its Market Share reaches or exceeds 10% of the Canadian equity securities market. If, at the end of each term, the marketplace's position in the previous calendar year does

¹ "Access Persons" means all Participants (as such term is defined in the Universal Market Integrity Rules) and all other persons who have been granted trading access to a marketplace. For the purposes of this application "Participant" shall have the same definition as it has in the Universal Market Integrity Rules.

not reach or exceed 10% of the market share of the Canadian equity securities market, as calculated above, then the marketplace will not be entitled to representation in the subsequent term.

If a non-Independent Director is added to (or removed from) the Board, an Independent Director will also be added (or removed) so that there are always an equal number of non-Independent Directors and Independent Directors on the Board.

Quorum for the RS Inc. Board will be a simple majority of the existing Directors, present either in person or by telephone, with at least one representative from each shareholder and at least 50% of the Independent Directors present.

Independent Directors

The TSE Corporate Governance Guidelines recommend the appointment of "independent" or "unrelated" directors to ensure the independence of the Board from the corporation's management, its significant shareholders and any other person with an interest, business or other relationship that could reasonably be perceived to interfere with a director's ability to act in the best interests of the corporation.

There are three main groups that may be perceived to be conflicted in the governance of RS Inc.:

1. RS Inc.'s significant shareholders;
2. the marketplaces regulated by RS Inc.; and
3. Access Persons;

and their directors, officers, employees and related parties.

Accordingly, RS Inc.'s Independent Directors will be individuals who are not connected with its shareholders, the marketplaces regulated by RS Inc. or Access Persons. RS Inc.'s By-laws will require at least 50% of its Directors to be Independent, and the President shall be deemed to be neither Independent nor non-Independent.

Individuals who act as independent members on the various committees of the shareholders, marketplaces and Access Persons shall be eligible to qualify as Independent Directors.

Governance Committee

The RS Inc. Board will delegate the selection of Independent Directors to a Governance Committee of the Board. Appendix D attached hereto sets out the Terms of Reference of the Governance Committee. The Committee will be composed of all the Independent Directors. If the Chair of the Board is an Independent Director, he or she shall be a full, voting member of the Committee. If the Chair of the Board is a non-Independent Director, he or she will be an ex officio member of the Governance Committee and shall not be entitled to vote and whose presence shall not be a factor in the determination of the quorum for the Governance Committee. In addition to selecting Independent Directors, the Governance Committee will be responsible for recommending Board size

and its composition, as well as evaluating the performance of all Directors.

Selection of Independent Directors

Appendix E attached hereto sets out the Guidelines of the Governance Committee. Annually, or from time to time as required, the Governance Committee will select candidates to fill vacancies for Independent Directors. The Governance Committee will recommend to the RS Inc. Board those candidates for Independent Directors that it considers qualified and desirable, in accordance with the Guidelines and considering the overall composition of the Board and its representation of the constituents of the Canadian markets. Based on the recommendations of the Governance Committee, the RS Inc. Board will nominate the candidates for Independent Directors. The shareholders will vote to confirm or reject the candidates so nominated as set out below.

Through its properly constituted, independent Governance Committee, RS Inc. will ensure a fair selection process for Independent Directors. The Governance Committee will review its Guidelines periodically (not less than annually) and file any amendments approved by the Board with the relevant securities regulators.

Shareholder Vote to Confirm Directors

Under the CBCA, RS Inc.'s shareholders must confirm all the Directors who have been nominated by the Board. This statutory right involves a vote by simple majority. If an Independent Director candidate is rejected by the shareholders of RS Inc., the Governance Committee will notify the relevant securities regulators.

Initial Independent Directors

The TSE and the IDA shall jointly nominate the initial Independent Directors in accordance with the Guidelines and their names shall be provided to the relevant securities regulators prior to their election by the shareholders.

Finance & Audit Committee

RS Inc. also proposes to create a Finance & Audit Committee as a committee of the Board. Appendix F attached hereto sets out the Terms of Reference for the Finance & Audit Committee. The RS Inc. Board will be responsible for selecting the Finance & Audit Committee members. The Finance & Audit Committee will consist of at least 5 Directors, the majority of whom shall be Independent Directors, with at least one representative from each shareholder. The Chair of the Board shall be a full, voting member of the Finance & Audit Committee. Quorum will be a majority of Directors comprising the Committee present in person or by telephone, including a majority of Independent Directors on the Committee and at least one non-Independent Director.

No Dual Employment of RS Inc. Employees

RS Inc. employees, including the President, shall not be dually employed by any marketplace or Access Person that is regulated by RS Inc. nor by any shareholder of RS Inc.

Fees

Upon the creation of RS Inc. a fee model ("Fee Model") will be introduced to recover the cost of regulation from marketplaces that have retained RS Inc. as an RSP. The Fee Model will attempt to achieve several objectives, including:

1. being able to recover the total cost of regulation in both active and slow markets;
2. not discriminating in favour of any type of trading business or marketplace;
3. being derived from activity that contributes to the cost of RS Inc.'s regulation services; and
4. being amenable to third party audit and verification by the applicable securities regulatory authorities.

It is generally assumed that the introduction of ATSS and other marketplaces will increase the complexity of market regulation and therefore the overall cost of regulation (even if the aggregate of trading activity remains constant). It is not possible to predict by how much the cost of regulation will increase and it may not be possible to calculate with any certainty the incremental cost after ATSS and other marketplaces commence operation. For this reason it is suggested that the fees levied for market regulation of ATSS be calculated on the same basis as the fees for the regulation of the existing marketplaces. Charging regulation fees on the same basis for trading on exchanges, QTRSs and ATSS is fair since most, if not all, of that regulation will not be affected by the marketplace on which the trading is done.

Upon close scrutiny of the activities comprising market regulation, it is apparent that trades are the primary drivers of costs, not volume or value. For example, the number of trades processed drives the cost of most market surveillance systems while investigations and enforcement actions are focused on particular trades. Large value or volume trades often attract more regulatory scrutiny as they are more likely to have an impact on the market and, therefore, make regulation of the market a more complex task and can be said to be partial drivers of the cost of market regulation.

Proposed Fee Model

It is proposed that the regulation fee be calculated and charged on the following basis:

1. The cost of regulation will be tracked and allocated on a market-by-market basis. For this purpose, a "market" is distinct from a "marketplace". A "market" consists of an exchange and any ATS trading in that exchange's listed securities, or a QTRS and any ATS trading in that QTRS's quoted securities. The proposed Fee Model will take into account the relative costs of regulating each market. For example, on a trade-for-trade basis, it is more costly to regulate the CDNX market than the TSE market due to a number of factors, including the number of securities listed on each exchange and their liquidity. Therefore, a separate cost calculation must be performed with respect to the regulation of each market subject to RS Inc.'s jurisdiction in order to ensure that the actual regulation costs for each such market are

recovered and that the Access Persons in one market are not subsidizing the cost of regulation in another market merely because the market regulator is the same. It is the intention of RS Inc. to require each marketplace to pay the fees attributable to the trading activity of an Access Person that is not a Participant.

Foreign securities, not traded on a Canadian exchange or QTRS will, for the purposes of determining fees, be considered to be a distinct market.

2. At the option of the marketplace, a variable fee will be charged either to the marketplace itself, based on proportionate share of total trading activity, or directly to the Participants in each marketplace (the variable fee attributable to the trading activity of Access Persons who are not Participants will be payable by the marketplace in accordance with paragraph 1 above). The variable fee charged to the marketplace or Participants will be apportioned based on an overall measure of trading activity comprised of trades, volume and value, with trades weighted 50% and volume and value each weighted 25%. This weighting recognizes that trades are the primary driver of costs but high volume and value trades also create additional challenges to the regulation service provider that should be reflected in the cost of regulation and therefore in the Fee Model. We note that the regulation fee of TSE RS is currently calculated and billed solely on the basis of trading volume. Trading volume, while it is a readily obtainable measure of trading activity for any marketplace or Access Person, is not the only cost driver for market regulation.

To calculate the variable fee to be charged by RS Inc., the share of trading activity for each Access Person in a market, weighted as set out above, will be divided by the total weighted trading activity of all Access Persons in the market. The percentage share for each Access Person thus obtained will be applied to the cost of regulation for the relevant period. This cost is the total cost to the marketplace or Access Person less the amount recovered from such marketplace or Access Person that is a Participant through the fixed fee.

3. In addition to the variable fee set out above, a small fixed fee would be charged directly to each Access Person that is a Participant to recognize that there is increasing complexity, and therefore cost, as each such Participant is added to a market. This fee would have to be nominal to ensure that it is not perceived as a barrier to participation in the securities markets. As an example, Participants who trade on the TSE are currently subject to a TSE Regulation Services' fee of \$5,000 per Participant. RS Inc. considers this fee to be reasonable and, for its first year of operation, intends to charge a similar fee. The amount collected from the fixed fee will be deducted from the total cost of market regulation that is shared among the marketplaces and Participants in item 1 above.

The proposed Fee Model set out above reflects current plans and is based on economic analysis performed by staff of RS Inc. RS Inc.'s objective in devising this model was to ensure that it is fair to all marketplaces

and Access Persons in that it does not discriminate in favour of any type of trading business over another and is supportable as a reflection of the cost of regulation. This model will be reviewed and, if necessary, revised over time and in light of subsequent information to ensure that RS Inc.'s regulation fee remains fair and appropriate and continues to meet the objectives set out at the beginning of this section.

Access

Eligibility Status

A marketplace is eligible to subscribe to be regulated by RS Inc. so long as it is an ATS, an exchange or a QTRS recognized or registered in accordance with securities legislation of an applicable Canadian securities regulatory authority. An eligible ATS must also be a member in good standing of an SRO that is recognized by an applicable Canadian securities regulatory authority.

Contractual Conditions

To receive regulation services from RS Inc. an eligible marketplace must enter into a services agreement with RS Inc., which agreement shall include the following terms:

1. The marketplace shall delegate to the jurisdiction of RS Inc. the administration and enforcement of the Universal Market Integrity Rules ("UMIR"). Marketplaces will require their Access Persons to comply with UMIR as a condition of participation.
2. The rules, by-laws and contracts governing the access granted by the marketplace to its Access Persons shall provide that the Access Person, together with its present and former directors, officers and employees and various other related or affiliated entities, are subject to the jurisdiction of RS Inc. with respect to the administration and enforcement of UMIR.
3. The marketplace must have systems in place that meet RS Inc. requirements in respect of surveillance and reporting including:
 - (i) real time trade and order feeds providing non-public data in STAMP format, or in such other format (including FIX format) as may be required by RS Inc. from time to time; and
 - (ii) the ability to give effect to any direction issued by RS Inc. with respect to the administration of UMIR, including provision for trading halts, delays and suspensions.
4. The marketplace will agree to provide all required data feeds to RS Inc. at the expense of the marketplace (including any charges incurred with respect to the connection of the marketplace to RS Inc. and any charges with respect to the maintenance of that connection).
5. Standard or usual contractual terms including: circumstances for cancellation of the services

agreement, transitional procedures, covenants, dispute resolution, notice, amendments, etc.

6. A term requiring receipt of approval of the agreement from the relevant securities regulators.
7. Provisions required by the applicable provisions of Part 7 of National Instrument 23-101 or other requirements established by the applicable securities regulatory authorities.

Financial Viability

RS Inc. will be a not-for-profit organization. The financial model for RS Inc. is founded upon its ability to collect fees to recover the total costs incurred in the regulation of the marketplaces. At start-up, RS Inc. will be funded through a long-term loan facility provided by the TSE and IDA. It is anticipated that the amount of this loan will not be substantial in relation to the overall budget of RS Inc. This debt will be repaid over a multi-year period and will constitute part of the operating expenses to be recovered from marketplaces or Participants. Initial capital requirements, including start-up expenses of RS Inc., will be covered by the long-term loan.

The assets of RS Inc. at start-up will consist of furniture and fixtures, leasehold improvements to office premises and desktop computers and printers. Initially, all other technology required to operate RS Inc. will be leased from the TSE. Any assets transferred to RS Inc. will be on the basis of fair value.

Regulation fees to be collected in any year will be calculated based on the annual operating budget of RS Inc. and will be charged monthly in advance based on the level of trading activity of marketplaces and Access Persons in the previous month as set out above. It is assumed that over the long term RS Inc. will continue to operate on a cost-recovery basis, in keeping with its status as a not-for-profit entity.

The full complement of staff of RS Inc. is expected to be about 90 persons, across Canada, at the time of the transfer of CDNX staff to RS Inc. RS Inc. anticipates outsourcing specific business functions, however, RS Inc. does not expect to be directly responsible for compensating any third party's staff.

Capacity to Perform Regulation Functions

Recognition Order

The independence, mandate and obligations of management of RS Inc. will be prescribed as terms and conditions of its recognition order. RS Inc. will be a recognized SRO that is overseen by the relevant securities regulators. This recognition is a pre-condition of its operation as a RSP. It would be contrary to the interests of RS Inc. to pursue any activity that would threaten its recognition or its relationship with the relevant securities regulators. The relevant securities regulators' oversight authority over RS Inc. takes several forms, including approval of rules and periodic oversight examinations, and enables the relevant securities regulators to ensure RS Inc. responds to the public interest in carrying out its mandate as an SRO and RSP.

The proposed terms and conditions of the recognition order would, among other things require:

1. prior approval, by the relevant securities regulators, of significant changes to the structure of RS Inc., its articles, by-laws and any shareholders' agreements;
2. the functions of RS Inc. to be carried out on a not-for-profit basis and independently of the interests of its shareholders, as well as the marketplaces and Access Persons regulated by RS Inc.;
3. that RS Inc. have the necessary technological and other support necessary for RS Inc. to efficiently and effectively regulate marketplaces and Access Persons;
4. that RS Inc. have the necessary procedures to deal with confidential information relating to any exchange, ATS, QTRS or Access Persons; and
5. regular performance reviews of RS Inc.'s operations at least annually.

Regulation Services

RS Inc. will seek to foster investor confidence in the Canadian securities market and to safeguard investor protection through maintenance of fair and orderly marketplaces. As a neutral, cost-effective and responsive SRO, RS Inc. will not discriminate in favour of any type of trading business over another.

RS Inc. will provide the following services to the markets that it regulates:

1. determination and administration of UMIR, including policy development in respect of UMIR;
2. real-time monitoring of trading operations and of market-related activities of marketplaces and Access Persons to ensure compliance with UMIR;
3. market surveillance of marketplaces, including imposing and lifting trading halts and making rulings on unreasonable trades;
4. trade desk reviews of Participants;
5. co-ordinated halting of inter-listed and foreign-listed securities;
6. investigation and enforcement of violations of UMIR by marketplaces and Access Persons; and
7. settlements and hearings with respect to UMIR and otherwise where authority has been delegated to RS Inc.

RS Inc. may also provide the following additional regulation services, if contracted to do so by a marketplace and subject to regulatory approval and applicable law:

1. monitoring and administering trading rules that are specific to a marketplace including interpretation of

trading rules that are specific to a marketplace ("Market Quality Rules");

2. monitoring issuer compliance with timely disclosure policies and other listed company surveillance;
3. investigative research of individuals associated with issuers for listing requirements and Participants for member regulation requirements;
4. investigation and enforcement of violations of Market Quality Rules by marketplaces and Access Persons; and
5. listed company regulation.

The additional regulation services will be negotiated and contracted for separately between RS Inc. and a marketplace. Costs associated with these additional regulation services will be allocated exclusively to, and collected from, the contracting marketplace. The Finance & Audit Committee will periodically review such allocations to ensure that such additional regulation services are not being subsidized by or subsidizing regulation services provided to all markets.

Regulated Securities

If a marketplace chooses to retain RS Inc. as an RSP, it will be the primary SRO regulating trading activity on that marketplace. Moreover, it is assumed that RS Inc. will regulate the trading of any security eligible for trading on such marketplace. As currently contemplated by the applicable securities regulatory authorities, the following securities will be eligible to trade on a marketplace:

1. a security listed on the TSE, CDNX, the Bourse de Montréal or any other recognized stock exchange;
2. a security quoted on a recognized QTRS; and
3. a security listed on a stock exchange or organized market in a foreign jurisdiction for which the securities regulatory authority is a member of the International Organization of Securities Commissions.

Jurisdiction of RS Inc.

As a recognized SRO operating as a RSP, RS Inc. shall have regulatory jurisdiction over the trading activities of exchanges, ATs and QTRSs who have contracted with RS Inc., and their Access Persons. The regulatory jurisdiction is carried out through rule development and administration, market surveillance, investigation and enforcement activities in relation to securities traded on a marketplace. As described in more detail above under the heading "Access", marketplaces and Access Persons will agree to submit to RS Inc. jurisdiction in respect of the enforcement of UMIR.

Capacity and Integrity of Systems

Current and Future Capacity Estimates

All trading systems will be owned by a marketplace with access provided to RS Inc. staff for regulatory purposes such as halting stocks, releasing stock freezes, etc.

RS Inc.'s market surveillance operations use a variety of systems ("Surveillance Systems") with varying criticality. Critical Surveillance Systems consist of a suite of applications that monitor real-time and historical trading for possible rule violations as well as anomalous price and volume movements ("Critical Surveillance Systems"). Critical Surveillance Systems are deemed mission critical because they monitor market activity in near real-time and generate potential violations that require further investigation. Critical Surveillance Systems are designed to receive multiple feeds, from different marketplaces, and to consolidate the feeds so that a single marketplace view can be monitored. Consequently, the capacity of the Critical Surveillance Systems (in terms of throughput, response time and storage) must be in the neighbourhood of the aggregate targets and estimates for the marketplaces that are being monitored.

Additional surveillance systems are used for decision support purposes ("Additional Surveillance Systems"). Much of the information provided by the Additional Surveillance Systems is available from a number of sources. Since processing for the Additional Surveillance Systems is not real-time and since the information is not directly dependent upon trading volumes, Additional Surveillance Systems are not deemed mission critical.

Capacity Planning and Management

RS Inc. will regularly forecast its expected business volumes and evaluate new target volumes and if necessary implement Surveillance System changes.

Stress and performance tests for each Critical Surveillance System will be scheduled and conducted at least once each calendar year. In addition, a stress test will be conducted prior to each major change to a Critical Surveillance System. Stress tests are conducted using equipment and conditions as identical as possible to the actual production environment. All preparation including test plans, test data, actual events, results and conclusions are documented.

Development and Testing Methodologies

RS Inc. uses development and testing cycles that do not interfere with its operating Surveillance Systems. RS Inc. regularly reviews and updates its development and testing methodologies.

System Vulnerability

The level of exposure to threats and system vulnerability for RS Inc. Surveillance Systems will vary based on whether the system is critical or not. Sensitive regulatory data will be kept secure and confidential.

Contingency Planning, Disaster Recovery & Business Continuity Plans

RS Inc. has contingency and disaster recovery plans which vary by the type and criticality of the application.

With respect to the Critical Surveillance Systems, full redundancy exists on the server side with two live servers running in parallel. One server is located in Markham and the other is located on the premises in Toronto. The computer facilities (e.g. computer sites, network, operations staff, etc.) have redundancy built-in so that no single point of failure exists. Furthermore, all Surveillance Systems run autonomously driven by separate trading feeds from the TSE trading engine and will also operate autonomously from the trading systems of any other marketplace. In the event of a failure to the primary surveillance server, surveillance staff can switch between servers from their desktop within seconds and continue to run their market monitoring applications.

In addition to the above, the Surveillance Systems have been designed to accept and integrate separate trade feeds from other markets. Consequently, if multiple markets are providing trade feeds to the surveillance server and one of the marketplaces suffers an outage, the Surveillance Systems will continue to function without interruption, monitoring the trade feed from the remaining operational markets.

Audits

RS Inc. proposes that RS Inc. Surveillance Systems and systems management processes be subject to an audit by an independent third party according to a mutually agreed upon schedule between RS Inc. and the relevant securities regulators.

Securities Commission Notification

RS Inc. proposes that all material systems failures and outages be reported to the relevant securities regulators within a reasonable period of time following each incident. In addition, the relevant securities regulators will be notified in advance of all material changes to surveillance systems. RS Inc. management will designate an individual to be responsible for communicating all systems issues with the relevant securities regulators.

Purpose of Rules

RS Inc. shall, subject to the terms and conditions of the recognition order and the jurisdiction and oversight of the relevant securities regulators, establish rules, regulations or policies:

1. to ensure compliance with securities legislation;
2. to prevent fraudulent and manipulative acts and practices;
3. to promote just and equitable principles of trading;
4. to foster cooperation and coordination with persons or companies engaged in regulating, clearing, settling, and processing information with respect to, and facilitating transactions in, securities; and
5. to provide for appropriate discipline.

Rules and Rule-Making

RS Inc. proposes to administer and enforce UMIR in the marketplaces for which RS Inc. acts as the RSP.

On April 20, 2001, Regulation Services and CDNX jointly published UMIR for comment and proposed that UMIR be adopted as an alternative to the CSA Trading Rules set out in draft National Instrument 21-101. It is the intention of RS Inc. to adopt UMIR as its "market integrity" trading rules, subject to RS Inc.'s review and approval of any changes to UMIR from the version published on April 20, 2001.

After the initial adoption of UMIR, any proposal for the amendment of UMIR would be submitted by RS Inc. to the applicable securities regulatory authorities for approval in accordance with the procedures established under a rule protocol between RS Inc., as an SRO, and the applicable securities regulatory authorities.

Financial Statements

RS Inc. proposes to file with the relevant securities regulators unaudited quarterly financial statements within 60 days of each quarter-end and audited annual financial statements within 90 days of year-end.

Discipline Rules

The Regulation Services department of the TSE currently derives its powers of discipline under Part 7 of the Rules of the TSE. The entire TSE Rules, including Part 7, were subject to a public comment period and were brought into force as recently as April 2000. RS Inc. would propose that UMIR be expanded to incorporate disciplinary and enforcement rules substantially the same as Part 7 of the current TSE Rules, amended to reflect any necessary changes with respect to the provision of services by RS Inc. in multiple jurisdictions. Each marketplace that contracts with RS Inc., their Access Persons (including former Access Persons) and their (current and former) directors, officers, employees and various related parties will be subject to RS Inc.'s disciplinary rules for breaches of UMIR. Each marketplace may retain its own discipline processes for breaches of Market Quality Rules or may delegate such discipline to RS Inc., subject to the jurisdiction of the applicable securities regulatory authority.

RS Inc. will derive its disciplinary powers:

1. from its recognition order as an SRO over marketplaces that it regulates;
2. by contract with the marketplaces it regulates (as noted above, RS Inc. will enter into services agreements with the marketplaces it regulates and such marketplaces will be required to enter into agreements (or where applicable amend their existing agreements) with Access Persons whereby such persons agree to be subject to RS Inc.'s jurisdiction and UMIR); and
3. for marketplaces that are creatures of statute, in accordance with the terms of the statute (for example, the TSE may delegate its disciplinary powers under

SRO Notices and Disciplinary Decisions

Part II.1, section 13.0.8(4) of The Toronto Stock Exchange Act, R.S.O. 1990, c. T-15, as amended).

Subject to regulatory approval and applicable law, upon contracting with RS Inc. each marketplace shall transfer all existing disciplinary actions to RS Inc. with respect to matters then within RS Inc.'s jurisdiction, and with respect to Market Quality Rules for which such marketplace has delegated discipline to RS Inc. In addition, subject to regulatory approval and applicable law, RS Inc. will have jurisdiction to investigate and enforce against all trading activities under a marketplace's historic trading rules, as well as under UMIR and with respect to any Market Specific Rules with respect to which such marketplace has delegated authority to RS Inc. Therefore, RS Inc.'s jurisdiction will extend to trading activities under a predecessor of a marketplace.

As UMIR are presently drafted, the discipline procedures of the TSE and CDNX, as presently approved by their respective regulators, would be retained and would be applicable to their respective Participants. In the case of the TSE, the provisions are set out as Part 7 of the TSE Rules. Similarly, the comparable provisions for CDNX are contained in CDNX Rules E.1.00, E.2.00[A] and E.2.00[B]. With the acquisition of CDNX by the TSE, it is now proposed that these disciplinary procedures be harmonized and included directly in UMIR. This harmonization would also have the effect of eliminating the requirement for a Policy to be adopted to set out the practice and procedure with respect to actions against an Access Person that is not a member of an exchange. The actual provisions will be contained in the revised proposal on the content of UMIR. As presently envisaged, the harmonized UMIR will make the discipline provisions equally applicable to all persons who are subject to the jurisdiction of RS Inc.

Due Process

RS Inc.'s disciplinary rules and procedures will be fair and reasonable and will provide for due process. Any reviewable decision by RS Inc., including any disciplinary or enforcement decision, will be reviewable by the applicable Canadian securities regulatory authority having appropriate jurisdiction.

Information Sharing

RS Inc. is able and willing to co-operate, subject to applicable law, in sharing information, with the relevant securities regulators and their staff, and with other Canadian federal, provincial and territorial recognized SROs and regulatory authorities responsible for the supervision or regulation of securities firms and financial institutions.

The TSE and the TSE Regulation Services department are subject to various information sharing arrangements. RS Inc. is currently reviewing these arrangements and will either continue such arrangements under the terms of an existing agreement or will enter into new or supplementary agreements.

Conclusion

We look forward to receiving your comments at your earliest convenience. If you have any questions or would like to

discuss any aspects of the application, please contact Tom Atkinson at 416-947-4310.

Sincerely,

Tom Atkinson
Vice-President, Regulation Services
The Toronto Stock Exchange Inc.

Ian Russell
Senior Vice-President
Capital Markets
Investment Dealers Association of Canada

cc. Ms. Randee Pavalow
Director, Capital Markets
Ontario Securities Commission

APPENDIX A



Industry Canada

Industrie Canada

Certificate
of Incorporation

Certificat
De constitution

Canada Business
Corporations Act

Loi canadienne sur
Les sociétés par actions

Market Regulation Services Inc.

Services de Réglementation du Marché Inc.

394933-8

Name of corporation -
Dénomination de la société

Corporation number -
Numère de la société

I hereby certify that the above-named corporation, the articles of incorporation of which are attached, was incorporated under the *Canada Business Corporations Act*.

je certifie que la société susmentionnée, dont les statuts constitutifs sont joints, a été constituée en société en vertu de la *Loi canadienne sur les sociétés par actions*.

September 21, 2001 / le 21 septembre 2001

Director - Directeur

Date of Incorporation - Date de constitution

Canada Business Corporations Act

Loi canadienne sur les sociétés par actions

**ARTICLES OF INCORPORATION (SECTION 6)
STATUTS CONSTITUTIFS
(ARTICLE 6)**

**ELECTRONIC TRANSACTION
REPORT
RAPPORT DE LA TRANSACTION
ÉLECTRONIQUE**

Processing Type - Mode de Traitement:
E-Commerce/Commerce-É

1. **Name of Corporation - Dénomination de la société**
Market Regulation Services Inc.
Services de Réglementation du Marché Inc.
2. **The place in Canada where the registered office is to be situated - Lieu au Canada où doit être situé le siège social**
Location/Place: CITY OF TORONTO
Province: ON
3. **The classes and any maximum number of shares that the corporation is authorized to issue - Catégories et tout nombre maximal d'actions que la société est autorisée à émettre**
SEE ATTACHED ANNEX / VOIR L'ANNEXE CI-ATTACHÉE 'A'
4. **Restrictions, if any, on share transfers - Restrictions sur le transfert des actions, s'il y a lieu**
SEE ATTACHED ANNEX / VOIR L'ANNEXE CI-ATTACHÉE 'B'
5. **Number (or minimum and maximum number) of directors - Nombre (ou nombre minimal et maximal) d'administrateurs**
Minimum: 3 Maximum: 25
6. **Restrictions, if any, on business the corporation may carry on - Limites imposées à l'activité commerciale de la société, s'il y a lieu**
SEE ATTACHED ANNEX / VOIR L'ANNEXE CI-ATTACHÉE 'C'
7. **Other provisions, if any - Autres dispositions, s'il y a lieu**
SEE ATTACHED ANNEX / VOIR L'ANNEXE CI-ATTACHÉE 'D'
8. **Incorporators - Fondateurs**

Names(s) - Nom(s)
TOM ATKINSON

Address (including postal code) - Adresse (inclure le code postal)
THE EXCHANGE TOWER, 2 FIRST CANADIAN PLACE, TORONTO, ONTARIO, CANADA, M5X 1J2

Signature
TOM ATKINSON

ANNEX/ANNEXE A

An unlimited number of Common shares. The Common shares shall have attached thereto the rights, privileges, restrictions and conditions set forth below:

Section 1.1 Notices and Voting

The holders of the Common shares shall be entitled to receive notice of and to attend and vote at all meetings of holders of Common shares of the Corporation (except where the holders of a specified class are entitled to vote separately as a class as provided in the Canada Business Corporations Act), and each Common Share shall confer the right to one vote in person or by proxy at all meetings of shareholders of the Corporation.

Section 1.2 Dividends

The Corporation shall not declare dividends or make any other distributions to the holders of the Common shares.

Section 1.3 Liquidation, Dissolution and Winding-up

In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, the holders of the Common shares shall only be entitled, on a pro rata basis for each Common share, to direct the Corporation to transfer the remaining property of the Corporation in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other amounts in respect of a return of capital or distribution of assets of the Corporation for the purpose of winding-up its affairs to such non-profit organization(s) as such holders may specify, provided that such specified organization(s) shall have objects similar to those of the Corporation and shall be exempt from tax.

ANNEX/ANNEXE B

Subject to the share transfer restrictions set forth in a shareholders' agreement signed by all shareholders of the corporation, no share shall be transferred without the consent of the holders of shares to which are attached more than 50% of the voting rights attaching to all shares for the time being outstanding entitled to vote at such time expressed by a resolution passed by such shareholders at a meeting duly called and constituted for that purpose or by an instrument or instruments in writing signed by all of such shareholders.

ANNEX/ANNEXE C

In no event shall the purpose of the organization and operation of the corporation include profit.

ANNEX/ANNEXE D

- (a) The number of shareholders of the Corporation, exclusive of persons who are in its employment and exclusive of persons who, having been formerly in the employment of the Corporation, were, while in that employment, and have continued after the termination of that employment to be, shareholders of the Corporation, is limited to not more than 50, 2 or more persons who are the joint registered owners of 1 or more shares being counted as 1 shareholder;
- (b) Any invitation to the public to subscribe for any securities of the Corporation is prohibited;
- (c) The Corporation shall not declare dividends or make any other distributions to its shareholders;
- (d) In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, the Corporation shall, upon the direction of its shareholders, transfer the remaining property of the Corporation in the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other amounts in respect of a return of capital or distribution of assets of the Corporation for the purpose of winding-up its affairs to such non-profit organization(s) as the shareholders may specify, provided that such specified organization(s) shall have objects similar to those of the Corporation and shall be exempt from tax. If the Corporation has not received such shareholder direction prior to the day which is six months after the date of the directors' resolution in respect of such liquidation, dissolution or winding-up of the Corporation (or, if involuntary, prior to the day which is six months from the date of the winding-up order or similar order) then the amounts referred to above shall be transferred to one or more of the non-profit organizations registered under the Income Tax Act (Canada), as the same may be amended, restated or re-enacted from time to time, which are members or otherwise part of the United Way of Greater Toronto or any successor to such organization; and
- (e) Subject to the restrictions set forth in a shareholders' agreement signed by all shareholders of the corporation, the directors may appoint one or more directors, who shall hold office for a term expiring not later than the close of the next annual meeting of shareholders, but the total number of directors so appointed may not exceed one third of the number of directors elected at the previous annual meeting of shareholders.

APPENDIX B

BY-LAW NO. 1

**A By-law relating generally to the transaction of the
business and affairs of
Market Regulation Services Inc.**

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BE IT ENACTED as a By-law of the Corporation as follows:

ARTICLE 1
INTERPRETATION

Section 1.1 Interpretation.

Unless otherwise defined or interpreted, every term used in this By-law that is:

- (a) defined or interpreted in the Act has the meaning ascribed to in that Act;
- (b) defined or interpreted in section 1 of the Securities Act has the meaning ascribed to in that section; and
- (c) defined or interpreted in the Universal Market Integrity Rules has the meaning ascribed to in that section.

Section 1.2 Definitions.

- (1) In this By-law, unless the subject matter or context otherwise requires:

"Access Person" means all Participants and all other persons who have been granted trading access to marketplace.

"Act" means the *Canada Business Corporations Act*, R.S.C. 1985 c. C-44, as amended from time to time.

"Affiliate" has the meaning specified in the Securities Act.

"Annual Operating Plan" has the meaning specified in Section 2.6.

"Applicable Securities Legislation" means the securities legislation, including the regulations, rules, instruments, policies, rulings and orders applicable in the jurisdictions in which the Corporation has been recognized or approved as a regulation services provider.

"appoint" includes **"elect"** and vice versa.

"Articles" means the certificate and articles of incorporation of the Corporation dated September 21, 2001 as such Articles may from time to time be amended, replaced or superseded.

"ATS" has the meaning assigned to that term in National Instrument 21-101.

"Board" means, at any time, the board of directors of the Corporation constituted in accordance with the provisions of the By-laws and **"Director"** means any member who has been elected or appointed to the Board in accordance with the provisions of the By-laws.

"By-law" means this by-law and all other by-laws of the Corporation, as amended, supplemented and in effect from time to time.

"Canadian Securities Administrators" means the applicable securities commissions (or any successor

regulatory authorities thereto) in the jurisdictions in which the Corporation has been recognized or approved as a regulation services provider.

“**CDNX**” means the Canadian Venture Exchange Inc.

“**cheque**” includes a bank draft.

“**Commissions**” means the securities commissions (or any successor regulatory authorities thereto) in the jurisdictions in which the Corporation has been recognized or approved as a regulation services provider.

“**Corporation**” means Market Regulation Services Inc.

“**day**” means a clear day and a period of days shall be deemed to commence the day following the event that began the period and shall be deemed to terminate at midnight of the last day of the period except that if the last day of the period falls on a Sunday or holiday the period shall terminate at midnight of the day next following that is not a Sunday or holiday.

“**Effective Date**” means the effective date of the Articles.

“**IDA**” means The Investment Dealers Association of Canada.

“**Independent Director**” means a director of RS Inc. who is not an associate, director, officer or employee of:

- (a) a marketplace;
- (b) an Access Person;
- (c) a shareholder of RS Inc.; or
- (d) an affiliated entity of any person described in clauses (a), (b) or (c),

provided that a person shall not be precluded from qualifying as an Independent Director if such person serves as a director of a marketplace, Access Person or shareholder of RS Inc. but does not hold, directly or indirectly, any ownership or beneficial interest in, or act as an employee or officer of, the marketplace, Access Person or shareholder.

“**insider**” means a person who is an insider of an issuer for the purpose of applicable securities legislation.

“**listed security**” means a security listed or quoted on a marketplace.

“**marketplace**” has the meaning assigned to that term in National Instrument 21-101.

“**non-Independent Director**” means any Director of the Corporation who is not an Independent Director.

“**Shareholders’ Meeting**” includes an annual Shareholders’ Meeting and a special Shareholders’ Meeting.

“**ordinary resolution**” means a resolution passed by a majority of the votes cast by the Shareholders who voted in respect of that resolution or signed by all of the Shareholders entitled to vote on that resolution.

“**Participant**” has the meaning assigned to that term in the Universal Market Integrity Rules.

“**person**” includes any corporation, incorporated association, incorporated syndicate or other incorporated organization.

“**recorded address**” means, in the case of a Shareholder, the Shareholder’s address as recorded in the securities register; and in the case of joint Shareholders the address appearing in the securities register in respect of such joint holding or the first address so appearing if there are more than one; in the case of an officer, auditor or member of a committee of the Board, his or her latest address as recorded in the records of the Corporation; and, in the case of a Director, his or her latest address as recorded in the records of the Corporation or in the most recent notice filed under the Act, whichever is the more current.

“**regulation services provider**” has the meaning specified in National Instrument 21-101 – Marketplace Operation issued by the Canadian Securities Administrators

“**resident Canadian**” means an individual who is:

- (a) a Canadian citizen ordinarily resident in Canada;
- (b) a Canadian citizen not ordinarily resident in Canada who is a member of a class of persons prescribed by the regulations under the Act, or
- (c) a permanent resident within the meaning of the *Immigration Act* (Canada) and ordinarily resident in Canada, except a permanent resident who has been ordinarily

residents in Canada for more than one year after the time at which he first became eligible to apply for Canadian citizenship.

“**Rules and Regulations**” means the articles, By-laws, rules, regulations, policy statements, forms, guidelines, decisions, rulings, orders, instructions, directions, notices and similar instruments of or adopted by the Corporation (including by any committee or officer of the Corporation or other person so authorized) and including the Universal Market Integrity Rules, as amended, supplemented and in effect from time to time.

“**Securities Act**” means the *Securities Act*, R.S.O. 1990, c. S.5 as amended from time to time.

“**Share**” means any share in the capital of the Corporation, as described in the Articles.

“**Shareholder**” means any Person who holds Shares in the Corporation at a particular time.

“**Shareholders’ Agreement**” means the agreement dated as of ● among the Shareholders of the Corporation, as amended from time to time.

“**signing officer**” means, in relation to any instrument, any person authorized to sign the same on behalf of the Corporation by or pursuant to section 2.4.

“**special Shareholders’ Meeting**” includes a meeting of any class or classes of Shareholders and a special meeting of all Shareholders entitled to vote at an annual Shareholders’ Meeting.

“**special resolution**” means a resolution passed by a majority of not less than two thirds of the votes cast by the Shareholders who voted in respect of that resolution or signed by all of the Shareholders entitled to vote on that resolution.

“**TSE**” means The Toronto Stock Exchange Inc.

“**Universal Market Integrity Rules**” means the Corporation’s Universal Market Integrity Rules, as amended from time to time.

- (2) The division of this By-law into separate articles, sections, subsections and clauses, the provision of a table of contents and index thereto, and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this By-law.
- (3) The use of the words “hereof”, “herein”, “hereby”, “hereunder” and similar expressions indicate the whole of the By-law and not only the particular section in which the expression is used.
- (4) Grammatical variations of any defined term have similar meanings; words importing the singular number shall include the plural and vice versa; words importing the masculine gender shall include the feminine and neuter genders.
- (5) Reference to any statute shall include any enactment that may be substituted therefore as amended from time to time, and any reference herein to any section or subsection of a statute shall be deemed to be a reference to the section or subsection as at the time in question amended or supplemented or to the successor if the same has been repealed.
- (6) All times mentioned in this By-law shall be local time in Toronto on the date concerned, unless the subject matter or context otherwise requires.

**ARTICLE 2
BUSINESS OF THE CORPORATION**

Section 2.1 Registered Office.

The registered office of the Corporation shall be in the municipality or geographic township within Ontario initially specified in the Articles and thereafter as the Shareholders may from time to time determine by special resolution and at such location therein as the Board may from time to time determine by resolution.

Section 2.2 Corporate Seal.

Until changed by the Board, the corporate seal of the Corporation shall be in the form impressed hereon.

Section 2.3 Financial Year.

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

Section 2.4 Execution of Instruments.

Deeds, transfers, assignments, contracts, obligations, certificates and other instruments may be signed on behalf of the Corporation by any two of the following: chair of the Board, president, vice-president, secretary, treasurer, assistant secretary or assistant treasurer, or the holder of any other office created by By-law or by resolution of the Board. 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 2.5 Banking Arrangements.

The banking business 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 2.6 Annual Operating Plan.

- (1) The Board shall cause a draft Annual Operating Plan to be prepared for each Financial Year by management of the Corporation for consideration by the Board and the Shareholders no later than prior to the beginning of such Financial Year. The draft annual operating plan shall be prepared in accordance accounting principles generally accepted in Canada as recommended in the Handbook of the Canadian Institute of Chartered Accountants and shall contain a detailed monthly financial budget. Such budget shall consist of a *pro forma* balance sheet, income statement and statement of changes in financial position of the Corporation for such Financial Year, shall include comparison statements from the previous Financial Year, shall be accompanied by a statement of the nature and amount of all capital expenditures to be incurred during such Financial Year, and shall be supported by the explanations, notes and information upon which the projections underlying the Annual Operating Plan have been based.
- (2) The draft Annual Operating Plan, as reviewed and approved by the Board and the Shareholders with such amendments and modifications as they determine appropriate, shall become the Annual Operating Plan for such Financial Year. In the event that the Board or the Shareholders are unable to settle and approve an Annual Operating Plan in whole or in part prior to the commencement of a Financial Year, the expenditure programme contained in the existing Annual Operating

Plan shall continue to apply to the extent of such disagreement until a complete Annual Operating Plan is approved by the Board and the Shareholders.

Section 2.7 Voting Rights In Other Bodies Corporate.

The signing officers of the Corporation 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.

The Board may cause the business and 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 businesses or operations, geographical territories, product lines or goods or services 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 business and operations of any such division into sub-units and the consolidation of the business and 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 business and 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.

**ARTICLE 3
BORROWING AND SECURITIES**

Section 3.1 Borrowing Power.

- (1) Without limiting the borrowing powers of the Corporation as set forth in the Act, but subject to the Articles and the Shareholders' Agreement, the Board may from time to time on behalf of the Corporation, without authorization of the Shareholders:

- (a) Borrow money upon the credit of the Corporation;
 - (b) Issue, reissue, sell or pledge bonds, debentures, notes or other similar obligations of the Corporation, whether secured or unsecured;
 - (c) To the extent permitted by the Act, give a guarantee on behalf of the Corporation to secure performance of any present or future indebtedness, liability or obligation of any person; and
 - (d) Charge, mortgage, hypothecate, pledge, or otherwise create a security interest in all or any currently owned or subsequently acquired real or personal, movable or immovable, property of the Corporation, including book debts, rights, powers, franchises and undertakings, to secure any such bonds, debentures, notes or other evidences of indebtedness or guarantee or any other present or future indebtedness, liability or obligation of the Corporation.
- (2) Nothing in this section limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

Section 3.2 Delegation.

Subject to the Act and the Articles, the Board may from time to time delegate to a committee of the Board, one or more Directors or officers of the Corporation or any other person as may be designated by the Board all or any of the powers conferred on the Board by Section 3.1 or by the Act to such extent and in such manner as the Board shall determine at the time of each such delegation.

**ARTICLE 4
DIRECTORS**

Section 4.1 Action by the Board.

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

Section 4.2 Number of Directors.

Until changed in accordance with the Act and the Recognition Order, the Board shall consist of such number of Directors within the minimum and maximum number of Directors provided for in the Articles as is determined by special resolution or, if such special resolution empowers the Board to determine the number, by a resolution of the Board, provided, however, that in the latter case the Directors may not, between meetings of Shareholders, increase the number of Directors on the Board to a total number greater than one

and one-third times the number of Directors required to have been elected at the last annual Shareholders' Meeting.

Section 4.3 Director Representation

Subject to any decision to the contrary by the Commissions made in accordance with applicable legislation, the Board shall be constituted as follows.

- (1) At all times, the Board shall consist of an uneven number of Directors, which shall include an equal number of Independent Directors and non-Independent Directors, and the president of the Corporation, who shall be deemed to be neither an Independent Director nor a non-Independent Director. If the number of non-Independent Directors is increased or decreased, the number of Independent Directors shall also be increased or decreased so that at all times, the Board shall consist of an equal number of Independent and non-Independent Directors.
- (2) In the event that a vacancy arises for any reason which causes the foregoing requirement not to be fulfilled, the Board may continue to act but steps shall be taken by the parties hereto to fill the vacancy as soon as reasonably possible.
- (3) A Governance Committee shall be established in accordance with the By-laws which shall have the responsibility to select and review qualified candidates for Independent Directors for election to the Board.
- (4) At all times, the non-Independent Directors shall consist of an equal number of Directors appointed by each Shareholder and at least one Director who is associated with or experienced with the Canadian public venture capital market, who shall be appointed jointly by the Shareholders. In making such appointment the TSE and the IDA will utilize all advisory resources available, including the TSE/CDNX Advisory Board. Should CDNX become regulated by RS Inc. and reach or exceed 10% of the Canadian equity securities market (where market share ("Market Share") will be calculated on the trading activity of the previous calendar year, based on 25% of trading value, 25% of trading volume and 50% of number of trades), CDNX shall be entitled to nominate the fifth non-Independent Director in the place of the TSE and IDA for the next succeeding term. If, at the end of each term thereafter, CDNX's position in the previous calendar year does not reach or exceed 10% of the Market Share of the Canadian equity securities market then CDNX will not be entitled to representation in the subsequent term and the TSE and IDA shall again jointly nominate the fifth non-Independent Director, who shall be deemed to be neither a representative of the TSE nor of the IDA, and who will be an individual who is associated with or experienced with the Canadian public venture capital market

- (5) Any marketplace (excluding CDNX), that is not a Shareholder of the Corporation, will be permitted to appoint a Director to the Board for a term of one year when its Market Share reaches or exceeds 10% of the Market Share. If, at the end of the term, the marketplace's position in the previous calendar year does not reach or exceed 10% of the Market Share of the Canadian equity securities market, then the marketplace will not be entitled to appoint a Director in the subsequent term.
- (6) Initially, the Independent Directors will be appointed by the Shareholders, jointly in accordance with the Terms of Reference, and their names will be provided to the Commissions, prior to their election as Directors at the initial Shareholders' Meeting.

Section 4.4 Quorum.

Subject to Section 4.1, the quorum for the transaction of business at any meeting of the Board shall consist of a majority of the Directors or such other number of Directors, in compliance with the Act, as the Board may from time to time determine, with at least one non-Independent Director present representing each Shareholder and at least 50% of the Independent Directors present.

Section 4.5 Qualification.

- (1) No Person shall be qualified for election as a Director (i) if he or she is less than eighteen years of age; (ii) if he or she is of unsound mind and has been so found by a court in Canada or elsewhere; (iii) if he or she is not an individual, or; (iv) if he or she has the status of bankrupt. A Director need not be a Shareholder.
- (2) A majority of the Directors shall be resident Canadians.

Section 4.6 Election and Term.

- (1) Subject to the Act, the election of Directors shall take place at the first meeting and thereafter at each annual Shareholders' Meeting and all the Directors then in office shall retire but, if qualified, shall be eligible for re-election. The number of Directors to be elected at any such meeting shall, if a minimum and maximum number of Directors is authorized by the Articles, be the number of Directors determined in accordance with Section 5.2 or shall, if a fixed number of Directors is authorized, be such fixed number. The election shall be by ordinary resolution. If an election of Directors is not held at the proper time, the incumbent Directors shall continue in office until their successors are elected.
- (2) The Shareholders shall elect all Directors appointed under Subsection 5.3.
- (3) If the Shareholders reject a candidate for Independent Director, the Corporation shall notify the Canadian Securities Administrators.
- (4) Each Director elected as a Director by the Shareholders shall remain as a Director for a term of one year. Each Director shall be entitled to re-election as a Director but

shall not be entitled to serve as a Director for cumulative terms which would exceed eight years in total.

Section 4.7 Vacation of Office and Release of Claims.

- (1) A Director ceases to hold office when he or she dies; he or she is removed from office by the Shareholders; he or she ceases to be qualified for election as a Director; or his or her written resignation is received by the Corporation, or, if a time is specified in such resignation, at the time so specified, whichever is later.
- (2) When a Director ceases to hold office the Corporation shall release a resigning or departing Director of all claims against him or her with respect to any matter or thing up to and including the resignation or removal in his or her capacity as Directors of the Corporation, except for any claims which might arise out of the gross negligence or fraud of the resigning or departing Director.

Section 4.8 ATS Representative

At all times, one Director shall be an ATS representative. The initial ATS representative shall be jointly appointed to the Board by the TSE and the IDA in accordance with the criteria set out in the Terms of Reference and thereafter the ATS representative shall be appointed annually by the TSE and the IDA jointly in accordance with the criteria set out in the Terms of Reference until such time as there is an ATS marketplace in Canada that is regulated by the Corporation. At such time as there is an ATS marketplace or marketplaces in Canada that are regulated by the Corporation, effective as at the end of the term of the then-existing ATS representative on the Board, each ATS marketplace that is regulated by the Corporation shall be entitled to nominate an individual to act as the ATS representative on the Board. The Governance Committee shall appoint the ATS representative to the Board from among the ATS nominees. In the event that, at the conclusion of any term of the ATS representative, there is no longer an ATS marketplace that is regulated by the Corporation, the TSE and the IDA shall appoint the ATS representative in accordance with the provisions of this Section.

Section 4.9 Vacancies.

Any vacancy in the Board shall be filled as follows:

- (a) If the Director to be appointed is an Independent Director the Governance Committee, considering the Terms of Reference shall recommend to the Board qualified candidates. If the Board considers the recommended candidates are qualified and desirable the Board will nominate the candidates before a meeting of the Shareholders, who will confirm or reject the candidates. If a candidate recommended by the Governance Committee is not nominated by the Board or is rejected by the Shareholders the Governance committee will recommend further candidates.
- (b) If the Director to be appointed is a non-Independent Director then:
- (i) where the vacating Director is a

representative of a Shareholder, that Shareholder shall be entitled to appoint the new Director;

- (ii) where the vacating Director is a representative of the Canadian public venture capital market the Shareholders shall jointly appoint the new director; and
- (iii) where the vacating Director is a representative of another marketplace the new Director shall be appointed in accordance with the provisions of Section 5.7;

and such Director shall be confirmed before a meeting of the Shareholders.

Section 4.10 Canadian Majority at Meetings.

The Board shall not transact business at a meeting of Directors, other than filling a vacancy in the Board, unless a majority of the Directors present are resident Canadians except where:

- (a) A resident Canadian Director who is unable to be present approves in writing or by telephone or other communications facilities the business transacted at the meeting; and
- (b) A majority of resident Canadians would have been present had that Director been present at the meeting.

Section 4.11 Canadian Majority at Meetings.

The Board shall not transact business at a meeting of Directors, other than filling a vacancy in the Board, unless a majority of the Directors present are resident Canadians except where:

- (a) A resident Canadian Director who is unable to be present approves in writing or by telephone or other communications facilities the business transacted at the meeting; and
- (b) A majority of resident Canadians would have been present had that Director been present at the meeting.

Section 4.12 Meeting by Telephone.

If all the Directors of the Corporation present at or participating in a meeting consent, a meeting of the Board or of a committee of the Board may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and a Director participating in such a meeting by such means is deemed for the purposes of the Act to be present at that meeting. Any such consent shall be effective whether given before or after the meeting to which it relates and may be given with respect to all meetings of the Board and of committees of the Board.

Section 4.13 Place of Meetings.

Meetings of the Board may be held at any place within or outside Canada and, in any financial year of the Corporation, a majority of the meetings of the Board need not be held in Canada.

Section 4.14 Calling of Meetings.

Meetings of the Board shall be held from time to time at such time and at such place as the Board, the chair of the Board, the president, or any two Directors may determine.

Section 4.15 Notice of Meeting.

Notice of the time and place of each meeting of the Board shall be given in the manner provided in Section 10.1 to each Director not less than forty-eight hours before the time when the meeting is to be held provided that a meeting may be convened upon less than forty-eight hours' notice where it is necessary to hold a meeting to address an urgent regulatory matter. A notice of a meeting of Directors need not specify the purpose of or the business to be transacted at the meeting except where the Act requires such purpose or business to be specified. A Director may in any manner and at any time waive a notice of or otherwise consent to a meeting of the Board and, subject to the Act, attendance of a Director at a meeting of the Board is a waiver of notice of the meeting.

Section 4.16 First Meeting of New Board.

Provided a quorum of Directors is present, each newly elected Board may without notice hold its first meeting immediately following the Shareholders' Meeting at which such Board is elected.

Section 4.17 Adjourned Meeting.

Notice of an adjourned meeting of the Board is not required if the time and place of the adjourned meeting is announced at the original meeting.

Section 4.18 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.

Section 4.19 Chair of Meetings of the Board.

The chair of any meeting of the Board shall be the first mentioned of such of the following officers as have been appointed and who is a Director and is present at the meeting: chair of the Board, vice-chair of the Board or the president. If no such officer is present, the Directors present shall choose one of their number to be chair.

Section 4.20 Votes to Govern.

At all meetings of the Board 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 be entitled to a second or casting vote.

Section 4.21 Conflict of Interest.

(1) A Director or officer of the Corporation who is a party to, or who is a Director or officer of or has a material interest in, any person who is a party to, a material contract, transaction, regulatory matter or regulatory investigation or proposed material contract, transaction, regulatory matter or regulatory investigation with the Corporation, shall disclose the nature and extent of his or her interest at the time and in the manner provided

by the Act. Any such contract, transaction, regulatory matter or regulatory investigation or proposed contract, transaction, regulatory matter or regulatory investigation shall be referred to the Board or Shareholders for approval even if such contract, transaction, regulatory matter or regulatory investigation is one that in the ordinary course of the Corporation's business would not require approval by the Board or Shareholders. Subject to Subsection 4.20(3), such a Director shall not vote on any resolution to approve the same unless the material contract, transaction, regulatory matter or regulatory investigation is:

- (a) An arrangement by way of security for money lent to or obligations undertaken by him or her for the benefit of the Corporation or an affiliate;
 - (b) One relating primarily to his or her remuneration as a Director, officer, employee or agent of the Corporation or an affiliate;
 - (c) One for indemnity or insurance as specified under the Act; or
 - (d) One with an affiliate.
- (2) Notwithstanding the foregoing prohibition on voting by such a Director, he or she may be present at and counted to determine the presence of a quorum at the relevant meeting of Directors as provided in the Act.
- (3) Notwithstanding the prohibition in Subsection 4.20(1), Directors, who must disclose their status, relationship and interest in all such matters, shall not be prohibited from voting on any resolution relating to a regulatory matter unless such resolution is directed specifically at or otherwise directly related to a company by which they are employed or of which they are a Director.

Section 4.22 Remuneration and Expenses.

The Directors shall be paid such remuneration for their services as the Board may from time to time determine. The Directors shall also be entitled to be reimbursed for travelling and other expenses properly incurred by them in attending meetings of the Board or any committee thereof. Nothing herein contained shall preclude any Director from serving the Corporation in any other capacity and receiving remuneration therefor.

Section 4.23 Applicable Legislation

For greater certainty, the provisions of this Article 4 are subject to any applicable legislation relating to the Board.

Section 4.24 Review of Corporate Governance

The corporate governance structure will be reviewed regularly to ensure that it changes to reflect the evolution of the equity markets. The recognition order and other documents governing RS Inc. will be amended to reflect the market changes, as agreed upon by RS Inc., the TSE and the IDA.

**ARTICLE 5
COMMITTEES**

Section 5.1 Committees of the Board.

The Board may appoint from their number one or more committees of the Board, however designated, and delegate to any such committee any of the powers of the Board except those which pertain to items which, under the Act, a committee of the Board has no authority to exercise. A majority of the members of any such committee shall be resident Canadians. Notwithstanding the foregoing, there shall be a Governance Committee as referred to in Section 4.2.

Section 5.2 Transaction of Business.

Subject to the provisions of Section 4.10, the powers of a committee of the Board may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of such committee may be held at such place or places designated in Section 4.12.

Section 5.3 Advisory Bodies.

The Board may from time to time appoint such advisory bodies as it may deem advisable. The members of such advisory bodies need not be Directors of the Corporation.

Section 5.4 Procedure.

Unless otherwise determined by the Board, each committee and advisory body shall have power to fix its quorum at not less than a majority of its members, to elect its chair, and to regulate its procedure.

Section 5.5 Limits on Authority.

Notwithstanding any other provision hereof, no president and no committee of Directors has authority to:

- (a) Submit to the Shareholders any question or matter requiring the approval of the Shareholders;
- (b) Fill a vacancy among the Directors or in the office of auditor or appoint or remove any of the chair, the vice-chair, the president or the chief financial officer, however designated, of the Corporation;
- (c) Subject to the Act, issue securities except in the manner and on the terms authorized by the Directors;
- (d) Purchase, redeem or otherwise acquire Shares issued by the Corporation;
- (e) Pay a commission referred to in section 41 of the Act;
- (f) Approve a management information circular referred to in Part III of the Act;
- (g) Approve a take-over bid circular, Directors' circular, or issuer bid circular referred to in Part XX of the Securities Act;
- (h) Approve any financial statements referred to in the Act or the Securities Act;
- (i) Approve an amalgamation under section 184 of the Act or an amendment to the Articles under Subsections 173(3) of the Act; or
- (j) Adopt, amend or repeal By-laws.

**ARTICLE 6
OFFICERS**

Section 6.1 Appointment.

Subject to the Act and Recognition Order, the Board may from time to time appoint a president, one or more vice-presidents (to which title may be added words indicating seniority or function), a secretary, a treasurer and 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 business and affairs of the Corporation. Subject to Sections 6.2 and 6.3, an officer may but need not be a Director and one person may hold more than one office.

Section 6.2 Chair and Vice-Chair of the Board.

The Board shall from time to time also appoint a chair of the Board 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 this 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 of the Board, his or her duties shall be performed and his or her powers exercised by one of the vice-chairs chosen by the Board. [do we want to set out duties on committees or put those in the terms of reference only? (already in terms of reference).]

Section 6.3 President and Chief Executive Officer.

The initial president of the Corporation, who shall also be appointed as the initial chief executive officer of the Corporation, shall be an individual selected by the TSE and IDA on a joint basis. Compensation of the initial president and chief executive officer shall be as agreed upon by the TSE and the IDA. Thereafter the Board shall have the authority, from time to time, to appoint a president, who shall also be appointed as the chief executive officer, and determine the compensation to be paid to such person. The person appointed to the office of president and chief executive officer shall be a resident Canadian.

Section 6.4 Vice-President.

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

Section 6.5 Secretary.

The secretary shall attend and be the secretary of all meetings of the Board (or arrange for another individual to so act), Shareholders and committees of the Board and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings thereat; he or she shall give or cause to be given, as and when instructed, all notices to Shareholders, Directors, officers, auditors and members of committees of the Board; he or she 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 he or she shall have such other powers and duties as the Board or the president may specify.

Section 6.6 Treasurer.

The treasurer shall keep proper accounting records in compliance with the Act and shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation; he or she shall render to the Board whenever required an account of all his or her transactions as treasurer and of the financial position of the Corporation; and he or she shall have such other powers and duties as the Board or the president may specify.

Section 6.7 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 6.8 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 6.9 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 6.10 Terms of Employment and Remuneration.

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

Section 6.11 Conflict of Interest.

An officer shall disclose his or her interest in any material contract or proposed material contract with the Corporation in accordance with Section 4.20 and the Act.

Section 6.12 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.

Section 6.13 Fidelity Bonds.

The Board may require such officers, employees and agents of the Corporation as the Board deems advisable to furnish bonds for the faithful discharge of their powers and duties, in such form and with such surety as the Board may from time to time determine.

ARTICLE 7

PROTECTION OF DIRECTORS, OFFICERS AND OTHERS

Section 7.1 Limitation of Liability.

Every Director and officer of the Corporation in exercising his or her powers and discharging his or her 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. Subject to the foregoing, no Director or officer shall be liable for the acts, neglects or defaults of any other Director, officer or employee, or for joining in any 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 monies 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 monies, securities or effects of the Corporation

shall be deposited, or for any loss occasioned by any error of judgment or oversight on his or her part, or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his or her office or in relation thereto; provided that nothing herein shall relieve any Director or officer from the duty to act in accordance with the Act and the regulations thereunder or from liability for any breach thereof.

Section 7.2 Indemnity.

(1) Subject to the limitations contained in the Act, the Corporation shall indemnify a Director or officer, a former Director or officer, or a person who acts or acted at the Corporation's request as a Director or officer of a body corporate of which the Corporation is or was a Shareholder or creditor, and his or her heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him or her in respect of any civil, criminal or administrative action or proceeding to which he or she is made a party by reason of being or having been a Director or officer of the Corporation or such body corporate, if:

- (a) He or she acted honestly and in good faith with a view to the best interests of the Corporation; and
- (b) In the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he or she had reasonable grounds for believing that his or her conduct was lawful.

(2) The Corporation shall also indemnify such person 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 to claim indemnity apart from the provisions of this By-law.

Section 7.3 Special Limitation of Liability Provisions.

(1) For purposes of this section 7.3 and section 7.4 only:

"committee member" shall mean a member of a committee, standing committee or ad hoc committee duly appointed by the Board;

"employee" shall for greater certainty not include independent contractors;

"independent contractor" shall mean an independent contractor, self-employed person or contractor retained by the Corporation or its subsidiaries to provide goods,

services or advice, including but not limited to consultants, tradesmen and trade contractors;

"Indemnitee" shall mean every current or former Protected Party and his heirs, executors, and administrators, legal representatives and estate and effects;

"Protected Party" shall mean every Director, officer, employee, committee member or advisory body member of the Corporation and any of its subsidiaries;

"subsidiaries" shall include any subsidiary within the meaning of the Act and any other Person designated by the Board in which the Corporation has a significant equity interest, directly or indirectly;

(2) No Protected Party shall be liable

- (a) for the acts, defaults or omissions of any other Protected Party;
- (b) by reason of him or her having joined in any receipt for money not received by him personally;
- (c) for any loss on account of defect of title to any property acquired by the Corporation;
- (d) on account of the insufficiency of any security in or upon which any moneys of the Corporation may be invested, provided that such investment is within the guidelines established by the Board;
- (e) for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any of the moneys, securities or other property of the Corporation may be deposited;
- (f) for any loss incurred through any bank, broker or other agent;
- (g) for any loss occasioned by any error of judgment or oversight on his or her part; or
- (h) for any loss, damage or misfortune whatever which shall happen in the execution of his duties or in relation thereto, including in the execution of duties, whether in an official capacity or not, for or on behalf of or in relation to the Corporation or any of its subsidiaries or any body corporate or entity which he or she serves or provides services to at the request of or on behalf of the Corporation or any of its subsidiaries, unless the same is occasioned by his or her own wilful neglect or default.

(3) The Corporation shall not be liable to a marketplace or Participant for any loss, damage, cost, expense, or other liability or claim arising from any negligent, reckless or wilful act or omission of a Protected Party or of an independent contractor.

(4) In the event that any legal proceeding is brought or threatened against the Corporation, a Protected Party or an independent contractor to impose liability on the Corporation, a Protected Party or an independent contractor, which arises directly or indirectly from the use by a Participant of a marketplace, the Participant shall reimburse the Corporation as determined by the Corporation for:

- (a) all costs, charges, expenses and legal and professional fees incurred by the Corporation in connection with the proceeding, including costs incurred to indemnify a Protected Party;
- (b) any recovery adjudged against the Corporation or a Protected Party in the event that the Corporation or a Protected Party in the event that the Corporation or a Protected Party is found to be liable; and
- (c) any payment made by the Corporation with the consent of the Participant in settlement of such proceeding.

The Corporation shall not be liable to a Participant or marketplace for any loss, damage, costs, expense, or other liability arising from any act or omission of any clearing agency, including without limitation the Canadian Depository for Securities Limited and the Canadian Derivatives Clearing Corporation:

Section 7.4 Special Indemnification Provisions.

(1) To the extent permitted by law, every Indemnitee 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 and expenses (including an amount paid to settle an action or satisfy a judgment and including legal and professional fees and out of pocket expenses of attending trials, hearings and meetings) whatsoever that such Indemnitee sustains or incurs in or about any action, suit or proceeding, whether civil, criminal or administrative, and including any investigation, inquiry or hearing, or any appeal therefrom, that is threatened, brought, commenced or prosecuted against him or her, or in respect of which he or she is compelled or requested by the Corporation to participate, for or in respect of any act, deed, matter or thing whatsoever made, done or permitted by him in or about the execution of the duties of his or her office as they relate to the Corporation or any of its subsidiaries, including those duties executed, whether in an official capacity or not, for or on behalf of 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 any of its subsidiaries; and
- (b) all other costs, charges and expenses that he or she sustains or incurs in or about or in relation to the affairs of the Corporation and its subsidiaries or any body corporate or entity which he or she serves or served, whether in an official capacity or not, at the request of or on behalf of the Corporation or any of its subsidiaries;

except such costs, charges or expenses as are occasioned by his or her own wilful neglect or default.

(2) Any indemnification under section 7.4(1) (unless ordered by a court) shall be made by the Corporation unless a determination is reasonably and promptly made by the Board by a majority vote of a quorum of

disinterested Directors, or (if such quorum is not obtainable or, even if obtainable, a quorum of disinterested Directors so directs) by independent legal counsel in a written opinion, that, based upon the facts known to the Board or counsel at the time such determination is made, such Indemnitee is not entitled to indemnification by reason of his own wilful neglect or default.

- (3) For greater certainty, it is confirmed that, to the extent permitted by law, the Corporation shall indemnify all costs and expenses incurred in connection with any action, suit or proceeding contemplated in section 7.4(1), regardless of whether the Indemnitee has been successful or substantially successful on the merits, and without limiting the generality of the foregoing, such Indemnitee shall be indemnified against all expenses in connection with the dismissal of such action or issue without prejudice or in connection with the settlement of such action or issue without admission of liability.
- (4) To the extent permitted by law, and subject to section 7.4(5), all costs, charges and expenses indemnified (including legal and professional fees and including out of pocket expenses for attendance at trials, hearing and meetings) shall be paid by the Corporation in advance of the final disposition of the matter, provided that the Indemnitee shall undertake to repay such amount in the event that it is ultimately determined, either pursuant to section 7.4(2) or by a court of competent jurisdiction, that such Indemnitee is not entitled to indemnification.
- (5) Any costs, charges or expenses (including legal and professional fees and out of pocket expenses of attending trials, hearings and meetings) incurred or to be incurred in any action, suit or proceeding, whether civil, criminal or administrative, including any investigation, inquiry or hearing, or any appeal therefrom, shall be paid by the Corporation promptly, and in any event, within ninety days after receiving the written request of the Indemnitee, unless a determination is reasonably and promptly made by the Board under section 7.4(2) that such Indemnitee is not entitled to indemnification or to an advancement of expenses.
- (6) Any person entitled to indemnification pursuant to section 7.4 or otherwise shall give notice to the Corporation, where practical, of any action, suit or proceeding which may give rise to a demand for indemnification.
- (7) Any person entitled to and demanding indemnification, pursuant to section 7.4 or otherwise, shall cooperate with the Corporation throughout the course of any action, suit or proceeding, whether civil, criminal or administrative, including any investigation, inquiry or hearing, to the fullest extent possible, including but not limited to, providing the Corporation with the consent and authority, to be exercised at the sole option of the Corporation, to take carriage of such person's defense.
- (8) The foregoing rights of indemnification and advancement of expenses shall not affect any other rights to indemnification or be exclusive of any other

rights to which any person may be entitled by law or otherwise.

Section 7.5 Insurance.

Subject to the Act, the Corporation may purchase and maintain insurance for the benefit of any person referred to in Section 7.2 and/or Section 7.3 against such liabilities and in such amounts as the Board may from time to time determine and as are permitted by the Act.

ARTICLE 8 SHARES

Section 8.1 Allotment of Shares.

Subject to the Securities Act, the Act, the Articles and the Shareholders' Agreement, the Board may from time to time allot or grant options to purchase the whole or any part of the authorized and unissued Shares of the Corporation at such times and to such persons and for such consideration as the Board shall determine, provided that no Share shall be issued until it is fully paid as provided by the Act.

Section 8.2 Registration of a Share Transfer.

Subject to the provisions of the Securities Act and the Act, no transfer of a Share shall be registered in a securities register except upon presentation of the certificate representing such Share with an endorsement which complies with the Act made thereon or delivered therewith duly executed by an appropriate person as provided by the Act, together with such reasonable assurance that the endorsement is genuine and effective as the Board may from time to time prescribe, upon payment of all applicable taxes and any reasonable fees prescribed by the Board, and upon compliance with such restrictions on transfer as are authorized by the Articles.

The registration of any transfer of Shares is subject to the satisfaction of any restrictions on transfer contained in the Articles, subject to the provisions of the Shareholders' Agreement and to compliance with any applicable legislation, including the Securities Act.

Section 8.3 Transfer Agents.

The Board may from time to time appoint, for each class of securities and warrants issued by the Corporation, (a) a trustee, transfer agent or other agent to keep the securities register and the register of transfers and one or more persons or agents to keep branch registers and (b) a registrar, trustee or agent to maintain a record of issued security certificates and warrants, and, subject to the Act, one person may be appointed for the purposes of both clauses (a) and (b) above in respect of all securities and warrants of the Corporation or any class or classes, thereof. The Board may at any time terminate such appointment.

Section 8.4 Non-Recognition of Trusts.

Subject to the provisions of the Act, the Corporation may treat the registered holder of a Share as the person exclusively entitled to vote, to receive notices, to receive any interest, dividend or other payments in respect of the Share, and otherwise to exercise all the rights and powers of a holder of the Share.

Section 8.5 Share Certificates.

Every Shareholder is entitled, upon request, to a Share certificate that complies with the Act in respect of the Shares held by the Shareholder or to a non-transferable written acknowledgement of the Shareholder's right to obtain a Share certificate from the Corporation in respect of the Shares of the Corporation held by the Shareholder. A Share certificate shall be signed manually by at least one Director or officer of the Corporation and by or on behalf of a registrar, transfer agent, branch transfer agent or issuing or other authenticating agent of the Corporation, if applicable. Additional signatures required on a Share certificate may be printed or otherwise mechanically reproduced thereon. If a Share certificate contains a printed or mechanically reproduced signature of a person, the Corporation may issue the Share certificate notwithstanding that the person has ceased to be a Director or an officer of the Corporation, and the Share certificate is as valid as if the person were a Director or an officer at the date of its issue.

Section 8.6 Replacement of Share Certificates.

The Board or any officer or agent designated by the Board may in its or his or her discretion direct the issue of a new Share or other such certificate in lieu of and upon cancellation of a certificate that has been mutilated or in substitution for a certificate claimed to have been lost, apparently destroyed or wrongfully taken on payment of such reasonable fees and on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the Board may from time to time prescribe, whether generally or in any particular case.

Section 8.7 Joint Shareholders.

If two or more persons are registered as joint holders of any Share, the Corporation shall not be bound to issue more than one certificate in respect thereof, and delivery of such certificate to one of such persons shall be sufficient delivery to all of them. Any one of such persons may give effectual receipts for the certificate issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such Share.

Section 8.8 Deceased Shareholders.

In the event of the death of a holder, or of one of the joint holders, of any Share, the Corporation shall not be required to make any entry in the securities register in respect thereof or to make any dividend or other payments in respect thereof, except upon production of all such documents as may be required by law and upon compliance with the reasonable requirements of the Corporation and its transfer agents.

Section 8.9 Applicable Legislation.

For greater certainty, the provisions of this Article 8 are subject to any applicable legislation relating to the Shares of the Corporation, including without limitation the provisions of the Securities Act.

**ARTICLE 9
MEETINGS OF SHAREHOLDERS**

Section 9.1 Annual Meetings.

The annual Shareholders' Meeting shall be held at such time in each year and, subject to

section 9.3, at such place as the Board, the chair of the Board or the president may from time to time determine, for the purpose of considering the financial statements and reports required by the Act to be placed before the annual meeting, electing Directors, appointing an auditor (unless the Corporation is exempted under the Act from appointing an auditor), and for the transaction of such other business as may properly be brought before the meeting.

Section 9.2 Special Meetings.

The Board, the chair of the Board, the vice-chair of the Board or the president shall have power to call a special Shareholders' Meeting at any time.

Section 9.3 Place of Meetings.

Subject to the Articles, meetings of Shareholders shall be held at the registered office of the Corporation or elsewhere in the municipality in which the registered office is situate or, if the Board shall so determine, at some other place in Canada or, if all the Shareholders entitled to vote at the meeting so agree, at some place outside Canada.

Section 9.4 Notice of Meetings.

Notice of the time and place of each Shareholders' Meeting shall be given in the manner provided in Section 10.1 not less than ten nor more than fifty days before the date of the meeting to each Director, to the auditor, and to each Shareholder who at the close of business on the record date for notice is entered in the securities register as the holder of one or more Shares carrying the right to vote at the meeting. Notice of a Shareholders' Meeting called for any purpose other than the consideration of minutes of an earlier meeting, consideration of the financial statements and auditor's report, election of Directors and reappointment of the incumbent auditor shall state the nature of such business in sufficient detail to permit the Shareholder to form a reasoned judgment thereon and shall state the text of any special resolution or By-law to be submitted to the meeting. A Shareholder and any other person entitled to attend a Shareholders' Meeting may in any manner waive notice of or otherwise consent to a Shareholders' Meeting, and, subject to the Act, attendance of any such Shareholder or any such other person is a waiver of notice of the meeting.

Section 9.5 List of Shareholders Entitled to Notice.

For every Shareholders' Meeting, the Corporation shall prepare a list of Shareholders entitled to receive notice of the meeting, arranged in alphabetical order and showing the number of Shares held by each Shareholder entitled to vote at the meeting in accordance with the Act. If a record date for the meeting is fixed pursuant to Section 9.6, the Shareholders listed shall be those registered at the close of business on such record date. If no record date is fixed, the Shareholders 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 or, where no such notice is given, on the day on which the meeting is held. The list shall be available for examination by any Shareholder during usual business hours at the registered office of the Corporation or at the place where the central securities register is maintained and at the meeting for which the list was prepared. Where a separate list of Shareholders has not been prepared, the names of persons appearing in the securities register at the requisite time as the holder of one or more Shares carrying the right to vote at such

meeting shall be deemed to be a list of Shareholders.

Section 9.6 Record Date for Notice.

The Board may fix in advance a date, preceding the date of any Shareholders' Meeting by not more than fifty days and not less than twenty-one days, as a record date for the determination of the Shareholders entitled to notice of the meeting, and notice of any such record date shall, unless waived in accordance with the Act, be given not less than seven days before such record date, by newspaper advertisement in the manner provided in the Act. If no record date is so fixed, the record date for the determination of the Shareholders entitled to receive notice of the meeting shall be at the close of business on the day immediately preceding the day on which the notice is given or, if no notice is given, the day on which the meeting is held.

Section 9.7 Meetings without Notice.

A Shareholders' Meeting may be held without notice at any time and place permitted by the Act (a) if all the Shareholders entitled to vote thereat are present in person or represented by proxy or if those not present or represented by proxy waive notice of or otherwise consent to such meeting being held, and (b) if the auditors and the Directors are present or waive notice of or otherwise consent to such meeting being held; so long as such Shareholders, auditors or Directors present are not attending for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called. At such a meeting any business may be transacted which the Corporation at a Shareholders' Meeting may transact. If the meeting is held at a place outside Canada, Shareholders not present or represented by proxy, but who have waived notice of or otherwise consented to such meeting, shall also be deemed to have consented to the meeting being held at such place.

Section 9.8 Chair, Secretary and Scrutineers.

The chair of any Shareholders' Meeting shall be the first mentioned of such of the following officers as have been appointed and who is present at the meeting: chair of the Board, vice-chair of the Board, 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 shall choose one of their number to be chair. If the secretary of the Corporation is absent, the chair shall appoint some person, who need not be a Shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be Shareholders, may be appointed by a resolution or by the chair with the consent of the meeting.

Section 9.9 Persons Entitled to be Present.

The only persons entitled to be present at a Shareholders' Meeting 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 or 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 9.10 Quorum.

Subject to the Act and to Section 9.20, a quorum for the transaction of business at any Shareholders' Meeting shall be two persons present in person, each being a Shareholder entitled to vote thereat or a duly appointed proxyholder or representative for an absent Shareholder so entitled, and together holding or representing by proxy all of the outstanding Shares of the Corporation entitled to vote at the meeting. If a quorum is present at the opening of any Shareholders' Meeting, the Shareholders 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 Shareholders' Meeting, the Shareholders present or represented by proxy may adjourn the meeting to a fixed time and place but may not transact any other business.

Section 9.11 Right to Vote.

Subject to the provisions of the Act, the Securities Act and the Shareholders' Agreement, at any Shareholders' Meeting for which the Corporation has prepared the list referred to in Section 9.5, every person who is named in such list shall be entitled to vote the Shares shown thereon opposite the person's name at the meeting to which such list relates except to the extent that, where the Corporation has fixed a record date in respect of such meeting pursuant to Section 9.6, such person has transferred any Shares after such record date and the transferee, having produced properly endorsed certificates evidencing such Shares or having otherwise established that the transferee owns such Shares, has demanded not later than ten days before the meeting that the transferee's name be included in such list. In any such case the transferee shall be entitled to vote the transferred Shares at the meeting. At any Shareholders' Meeting for which the Corporation has not prepared the list referred to in Section 9.5, every person shall be entitled to vote at the meeting who at the time is entered in the securities register as the holder of one or more Shares carrying the right to vote at such meeting.

Section 9.12 Proxyholders and Representatives.

- (1) Every Shareholder entitled to vote at a Shareholders' Meeting may appoint a proxyholder, or one or more alternate proxyholders, who need not be Shareholders, to attend and act as the Shareholder's representative at the meeting in the manner and to the extent authorized and with the authority conferred by the proxy. A proxy shall be in writing executed by the Shareholder or the Shareholder's attorney or, if the Shareholder is a body corporate, by an officer or attorney thereof duly authorized, and shall conform with the requirements of the Act.
- (2) Alternatively, every such Shareholder which is a body corporate or association may authorize by resolution of its Directors or governing body an individual to represent it at a Shareholders' Meeting and such individual may exercise on the Shareholder's behalf all the powers it could exercise if it were an individual Shareholder. The authority of such an individual shall be established by depositing with the Corporation a certified copy of such resolution, or in such other manner as may be satisfactory to the secretary of the Corporation or the chair of the meeting. Any such proxyholder or representative need not be a Shareholder.

Section 9.13 Time for Deposit of Proxies.

The Board may by resolution fix a time not exceeding forty-eight hours, excluding Saturdays and holidays, preceding any meeting or adjourned Shareholders' Meeting before which time proxies to be used at that meeting must be deposited with the Corporation or an agent thereof, and any period of time so fixed shall be specified in the notice calling the meeting. A proxy shall be acted upon only if, prior to the time so specified, it shall have been deposited with the Corporation or an agent thereof specified in such notice or, if no such time is specified in such notice, unless it has been received by the secretary of the Corporation or by the chair of the meeting or any adjournment thereof prior to the time of voting.

Section 9.14 Joint Shareholders.

If two or more persons hold Shares jointly, any one of them present in person or duly represented by proxy at a Shareholders' Meeting may, in the absence of the other or others, vote the Shares; but if two or more of those persons are present in person or represented by proxy and vote, they shall vote as one on the Shares jointly held by them.

Section 9.15 Votes to Govern.

At any Shareholders' Meeting every question shall, unless otherwise required by the Articles, the Shareholders' Agreement or By-laws or by law, be determined by a majority of the votes cast on the question. In case of an equality of votes either upon a show of hands or upon a poll, the chair of the meeting shall be entitled to a second or casting vote.

Section 9.16 Show of Hands.

Subject to the provisions of the Act, any question at a Shareholders' Meeting shall be decided by a show of hands, unless a ballot thereon is required or demanded as hereinafter provided. Upon a show of hands every person who is present and entitled to vote shall have one vote. Whenever a vote by show of hands 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 Shareholders upon the said question.

Section 9.17 Ballots.

On any question proposed for consideration at a Shareholders' Meeting, and whether or not a show of hands has been taken thereon, the chair or any person who is present and entitled to vote, whether as Shareholder, 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, in respect of the Shares which such person is entitled to vote at the meeting upon the question, to that number of votes provided by the Act, the Shareholders' Agreement or the Articles, subject to the provisions of the Securities Act and the result of the ballot so taken shall be the decision of the Shareholders upon the said question.

Section 9.18 Adjournment.

The chair at a Shareholders' Meeting 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 Shareholders' Meeting 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. Subject to the Act, if a Shareholders' Meeting is adjourned by one or more adjournments for an aggregate of thirty days or more, notice of the adjourned meeting shall be given as for an original meeting.

Section 9.19 Resolution in Writing.

A resolution in writing signed by all the Shareholders entitled to vote on that resolution at a Shareholders' Meeting is as valid as if it had been passed at a meeting of the Shareholders unless a written statement or written representation with respect to the subject matter of the resolution is submitted by a Director or the auditor, respectively, in accordance with the Act.

Section 9.20 Only One Shareholder.

Where the Corporation has only one Shareholder or only one holder of any class or series of Shares, the Shareholder present in person or duly represented by proxy constitutes a meeting.

**ARTICLE 10
NOTICES**

Section 10.1 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 Shareholders' Agreement, the By-laws or otherwise to a Shareholder, 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. 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 Shareholder, 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.

Section 10.2 Notice to Joint Holders.

If two or more persons are registered as joint holders of any Share, any notice shall be addressed to all of such joint

holders but notice addressed to one of such persons shall be sufficient notice to all of them.

Section 10.3 Undelivered Notices.

If any notice given to a Shareholder pursuant to Section 10.1 is returned on three consecutive occasions because he cannot be found, the Corporation shall not be required to give any further notices to such Shareholder until the Shareholder informs the Corporation in writing of the Shareholder's new address.

Section 10.4 Omissions and Errors.

The accidental omission to give any notice to any Shareholder, 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 10.5 Persons Entitled by Death or Operation of Law.

Every person who, by operation of law, transfer (subject to the Articles, the Act, the Applicable Securities Legislation and the Shareholders' Agreement), death of a Shareholder or any other means whatsoever, shall become entitled to any Share, shall be bound by every notice in respect of such Share which shall have been duly given to the Shareholder from whom the Shareholder derives title to such Share prior to the Shareholder's name and address being entered on the securities register (whether such notice was given before or after the happening of the event upon which the Shareholder became so entitled) and prior to the Shareholder furnishing to the Corporation the proof of authority or evidence of the Shareholder's entitlement prescribed by the Act.

Section 10.6 Waiver of Notice.

Any Shareholder, proxyholder, representative, other person entitled to attend a Shareholders' 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 By-laws 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 Shareholders' Meeting or of the Board or of a committee of the Board which may be given in any manner.

**ARTICLE 11
RULES AND REGULATIONS**

Section 11.1 Rules and Regulations

The Board (or any committee, officer or other person authorized by the Board) may from time to time enact, amend, repeal and re-enact such Rules and Regulations not inconsistent with the Applicable Securities Legislation as it, they, he or she in its, their, his or her discretion may consider advisable for the regulation of marketplaces, Participants, issuers and other persons.

The Board (or any committee, officer or other person authorized by the Board) may also issue, establish, adopt, amend, repeal and re-issue, re-establish and re-adopt interpretations, procedures and practices to supplement such Rules and Regulations.

Such Rules and Regulations may represent the imposition of requirements in addition to or higher than those imposed under the Applicable Securities Legislation or by the Canadian Securities Administrators, shall be binding on marketplaces, Participants, issuers and other persons, as applicable, and may be adopted to, among other things, enhance the credibility and reputation of the Corporation as a well as a self-regulatory organization.

Such Rules and Regulations shall be effective without Shareholder, marketplace, or Participant approval or approval by any other person, except as expressly otherwise provided therein, but may be subject to prior or subsequent review and approval or non-disapproval by the Canadian Securities Administrators.

Without limiting the generality of the foregoing, the Rules and Regulations may deal with all matters related to market regulation, including without limitation:

- (a) the trading rules, trading operations, and standards of practice and business conduct applicable to Participants (and their current and former partners, Shareholders, associates, insiders, Directors, officers, employees, agents and representatives) in respect of their overall equity trading operations and market activities, both through the facilities of marketplaces and generally;
- (b) requirements applicable to or in respect of the trading of listed securities and quoted securities, including without limitation, trading halts, disclosure practices and requirements and take-over and issuer bids;
- (c) compliance reviews, examinations and investigations, and enforcement and disciplinary matters;
- (d) trading ethics, trading rules, trading currencies, clearing and settlement and market surveillance matters;
- (e) the provision of information, cooperation and/or assistance;
- (f) the payment of fees, costs, forfeitures, penalties, fines and/or other amounts; and
- (g) hearing practices, where applicable;
- (h) transitional matters in respect of acts, omissions, circumstances or events prior to the Effective Date.

ARTICLE 12
VARIOUS

APPENDIX C

Section 12.1 Exchange of Information, Agreements.

The Corporation may provide to domestic or foreign exchanges or self-regulatory organizations or domestic or foreign securities enforcement or securities regulatory authorities information and other forms of assistance for market surveillance, investigative, enforcement and other regulatory purposes.

The Corporation may enter into agreements with domestic or foreign exchanges or self-regulatory organizations or domestic or foreign securities enforcement or securities regulatory authorities providing for the exchange of information and other forms of mutual assistance for market surveillance, investigative, enforcement and other regulatory purposes.

Section 12.2 Marketplace Agreements, Participant Agreements, etc.

(1) In the discretion of the Corporation, marketplaces shall be required to enter into regulatory services agreements with the Corporation. In order to obtain access to the facilities of the marketplaces, Participants shall be required to enter into an agreement with the marketplaces and shall agree to submit to the jurisdiction of the Corporation in respect of its Rules and Regulations and in respect of all regulatory matters including but not limited to market surveillance, investigations and enforcement. Participants shall not by virtue thereof have any ownership or voting interest in the marketplaces or the Corporation, and shall be Participants solely by virtue of their contractual arrangements with the marketplaces. Participants shall not be liable for any act, default, obligation or liability of the marketplaces or the Corporation.

(2) In addition, in the discretion of the Corporation issuers and other persons may be required to enter into agreements with marketplaces or the Corporation.

Section 12.3 Subject to Applicable Laws.

The provisions of this By-law are subject to any applicable legislation, including without limitation the Applicable Securities Legislation.

ARTICLE 13
EFFECTIVE DATE

Section 13.1 Effective Date.

This By-law shall come into force upon the Effective Date.

DEEMED CONFIRMED this day of , 2001.

President

Secretary

Definition of an Independent Director of RS Inc.

The following is the proposed definition of an "Independent Director" of RS Inc.:

"Independent Director" means a director of RS Inc. who is not an associate, director, officer or employee of:

- (a) a marketplace;
- (b) an Access Person;
- (c) a shareholder of RS Inc.; or
- (d) an affiliated entity of any person described in clauses (a), (b) or (c).

Related Definitions:

A number of terms used in the definition of "Independent Director" are defined in statutes, regulations, national instruments, orders and rules, the interpretation of which will be adopted by reference. In particular:

The order of recognition of RS Inc. defines "Access Persons" to be:

"Access Persons" means all Participants (as such term is defined in the Universal Market Integrity Rules) and all other persons who have been granted trading access to a marketplace.

The Securities Act (Ontario) defines "associate" to be:

"associate", where used to indicate a relationship with any person or company means:

- (a) any company of which such person or company beneficially owns, directly or indirectly, voting securities carrying more than 10 per cent of the voting rights attached to all voting securities of the company for the time being outstanding,
- (b) any partner of that person or company,
- (c) any trust or estate in which such person or company has a substantial beneficial interest or as to which such person or company 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 that person and to whom that person is married, or any person of the opposite sex or the same sex who resides in the same home as that person and with whom that person is living in a conjugal relationship outside marriage, or
- (f) any relative of an person mentioned in clause (e) who has the same home as that person.

National Instrument 21-101 – Marketplace Operation defines "marketplace" and "subscriber" as follows:

"marketplace" means:

- (a) an exchange;
- (b) a quotation and trade reporting system; and
- (c) a person or company not included in paragraph (a) or

(b) that

- (i) constitutes, maintains or provides a market or facility for bringing together buyers and sellers of securities,
 - (ii) brings together the orders for securities 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, or
- (d) a dealers that executes a trade of an exchange-traded security outside of a marketplace, but does not include an inter-dealer bond broker..

“subscriber” means, for an ATS, a person or company that has entered into a contractual agreement with the ATS to access the ATS for the purpose of effecting trades or submitting, disseminating or displaying orders on the ATS.

National Instrument 21-101 – Marketplace Operation interprets “affiliated entity” as follows:

- (1) In this Instrument, a person or company is considered to be an affiliated entity of another person or company if one is a subsidiary entity of the other or if both are subsidiary entities of the same person or company, or if each of them is a controlled entity of the same person or company.
- (2) In this Instrument, a person or company is considered to be a controlled entity of a person or company if
 - (a) in the case of a person or company,
 - (i) voting securities of the first-mentioned person or company carrying more than 50 percent of the votes for the election of directors are held, otherwise than by way of security only, by or for the benefit of the other person or company, and
 - (ii) the votes carried by the securities are entitled, if exercised, to elect a majority of the directors of the first-mentioned person or company;
 - (b) in the case of a partnership that does not have directors, other than a limited partnership, the second-mentioned person or company holds more than 50 percent of the interests in the partnership; or
 - (c) in the case of a limited partnership, the general partner is the second-mentioned person or company.
- (3) In this Instrument, a person or company is considered to be a subsidiary entity of another person or company if
 - (a) it is a controlled entity of,
 - (i) that other,
 - (ii) that other and one or more persons or companies each of which is a controlled entity of that other, or
 - (iii) two or more persons or companies, each of which is a controlled entity of that other; or
 - (b) it is a subsidiary entity of a person or company that is the other’s subsidiary entity.

The Universal Market Integrity Rules proposes to define the terms “Participant” and “related entity” as follows:

“Participant” means:

- (a) a dealer registered in accordance with securities legislation of any jurisdiction and who is:
 - Inc.,
 - Inc.,
 - (i) a member of an Exchange,
 - (ii) a user of a recognized quotation and trade reporting system, or
 - (iii) a subscriber of an ATS; or
- (b) a person who has been granted trading access to a marketplace and who performs the functions ordinarily associated with a market maker, specialist or restricted permit holder on the Bourse de Montréal Inc.

“related entity” means, in respect of a particular person:

- (a) an affiliated entity of the particular person which carries on business in Canada and is registered as a dealer or adviser in accordance with applicable securities legislation; and
- (b) a person who has been designated by a Market Regulator [in accordance with Rule 10.8(3) of the Universal Market Integrity Rules] as a person who acts in conjunction with the particular

APPENDIX D

RS INC.
GOVERNANCE COMMITTEE

TERMS OF REFERENCE

- 1) All terms are defined in Bylaw No. 1.
- 2) The Governance Committee shall be composed of all Independent Directors and the Chair of the Board. If the Chair of the Board is an Independent Director, the Chair shall be a full voting member of the Committee. If the Chair of the Board is a non-Independent Director, the Chair will be an *ex officio* member of the Committee who shall not be entitled to vote and whose presence shall not be a factor in determining quorum for the Committee.
- 3) The Committee shall elect by majority from among the voting members of the Committee a Chair who shall act for a term of not less than one year.
- 4) A duly constituted quorum shall be a majority of the voting members of the Committee.
- 5) The Committee shall have the responsibility:
 - i) to develop guidelines for the Committee to follow in respect of the size of the Board, its appropriate composition and eligible individuals for election to the Board (the "Guidelines"); [See Appendix C - Draft Guidelines – Governance Committee.]
 - ii) in accordance with By-law No. 1 and the Guidelines, to recommend to the Board the size of the Board and its appropriate composition and to evaluate the performance of all Directors;
 - iii) in accordance with the Guidelines, to select and review qualified candidates for election to the Board as Independent Directors and, by a vote of the majority of Committee members, recommend a candidate to the Board;
 - iv) to review the Guidelines periodically and, in any event, not less than annually, and to revise the Guidelines as necessary and, upon approval of the amendments by the Board, file the revised Guidelines with the appropriate securities regulatory authorities.

APPENDIX E

RS INC.
GOVERNANCE COMMITTEE
GUIDELINES

1. All terms are defined in Bylaw No. 1.
2. The President of RS Inc. shall be a member of the Board and shall be considered to be neither an Independent nor a non-Independent Director.
3. Selection of non-Independent Directors:
 - i) At all times, the Board must consist of 2 non-Independent Directors appointed by the TSE; 2 non-Independent Directors appointed by the IDA; and 1 non-Independent Director representing the public venture capital markets appointed by the TSE and the IDA jointly, provided that, should CDNX become regulated by RS Inc. and reach or exceed 10% of the Canadian equity securities market (where market share will be calculated on the trading activity of the previous calendar year, based on 25% of trading value, 25% of trading volume and 50% of number of trades), CDNX shall be entitled to nominate the fifth non-Independent Director in the place of the TSE and IDA for the next succeeding term. If, at the end of each term thereafter, CDNX's position in the previous calendar year does not reach or exceed 10% of the market share of the Canadian equity securities market, as calculated above, then CDNX will not be entitled to representation in the subsequent term and the TSE and IDA shall again jointly nominate the fifth non-Independent Director.
 - ii) Subsequent to Board nomination, the TSE and IDA will vote to confirm their respective candidates.
 - iii) Each new exchange (excluding CDNX), ATS, and QTRS will be permitted to appoint a representative to the Board for a term of one year when its market share reaches or exceeds 10% of the Canadian equity securities market. Market share will be assessed on the trading activity of the previous calendar year, and will be based on 25% of trading value, 25% of trading volume and 50% of number of trades. If, at the end of each term, the marketplace's position in the previous calendar year does not reach or exceed 10% of the market share of the Canadian equity securities market, then the marketplace will not be entitled to representation in the subsequent term. The TSE and IDA shall vote to confirm a duly appointed representative of any marketplace that reaches or exceeds 10% of the Canadian equity securities market.
 - iv) In accordance with section 4, the Committee may recommend that an ATS representative be nominated as a non-Independent Director.

4. Selection of Independent Directors and ATS Representative:

- i) At all times, the number of Independent Directors shall be equal to the number of non-Independent Directors. If a non-Independent Director is added to (or removed from) the Board, an Independent Director will also have to be added (or removed) to balance the Board.
- ii) In accordance with these Guidelines, the Committee shall select individuals who are qualified to act as Independent Directors, and ensure that the Independent Directors represent a variety of constituencies, including representatives of institutional investors, issuers and regional representatives. The Committee will consider any affiliations the candidate has had with any exchange, QTRS or ATS in determining whether the candidate is qualified to act as an Independent Director.
- iii) At all times, the Board must consist of at least one representative of ATSS and such representative may include an individual associated or affiliated with a prospective applicant to be registered as an ATS or a person considered by the Committee to be knowledgeable with the operations of ATSS. In determining whether to recommend a candidate to the Board as the representative of ATSS, the Committee may consider whether a particular ATS has appointed a representative to the Board in accordance with clause 3 iii).
- iv) Until such time as National Instrument 21-101 is implemented, a person who is associated or affiliated with an ATS or QTRS may be an Independent Director.
- v) An individual who is associated with an ATS that is a Participant shall not be considered eligible to be an Independent Director, but will be considered to be eligible to be selected by the TSE or IDA as a non-Independent Director.
- vi) The Committee shall recommend qualified candidates to the Board for nomination as Independent Directors and, if applicable, as the representative of ATSS.
- vii) Subsequent to Board nomination, the shareholders will vote to confirm or reject the candidates for Independent Directors and, if applicable, the representative of ATSS.
- viii) If the shareholders reject a candidate for Independent Director or, if applicable, the representative of ATSS, the Committee shall notify the relevant securities regulators. The Committee shall then select another suitable candidate.

APPENDIX F

RS INC.
FINANCE & AUDIT COMMITTEE
TERMS OF REFERENCE

- 1) All terms are defined in Bylaw No. 1.
- 2) The Finance & Audit Committee shall be composed of at least five Directors, the majority of whom shall be Independent Directors, with at least one representative from each shareholder.
- 3) The Committee shall elect by majority from among the members of the Committee a Chair who shall act for a term of not less than one year.
- 4) The Chair of the Board shall be a full voting member of the Committee.
- 5) A duly constituted quorum shall be a majority of the voting members on the Committee, including a majority of Independent Directors and at least one representative of a shareholder.
- 6) The Committee's Finance Responsibilities shall be as follows:
 - i) To approve the assumptions and guidelines for the development of RS Inc.'s strategic business plans including the annual Operating and Capital Budgets;
 - ii) To review the strategic business plan along with the annual Operating and Capital Budgets for submission to the Board for approval;
 - iii) To review the fee schedule for RS Inc. on an annual basis as well as any recommended changes during the year for submission to the Board for approval;
 - iv) To review the quarterly financial forecasts and financial statements including management reports and analysis of key performance indicators for submission to the Board;
 - v) To establish guidelines and policies for the investing of surplus funds and receive reports from management on the results of such investments against established benchmarks; and
 - vi) To carry out such other responsibilities that may be assigned by the Board.
- 7) The Committee's Audit Responsibilities shall be as follows:
 - i) To review the annual audit plan and the scope of the audit including approving the fee estimate;
 - ii) To review and approve the audited annual financial statements including the auditor's report thereon for submission to the Board for

approval;

- iii) To review the scope and findings of the independent audit; including an assessment of accounting principles in use and the impact of any new reporting or accounting requirements;
- iv) To review what steps management has taken to eliminate potentially serious weaknesses in internal control and management's response to the independent auditor's recommendations;
- v) To meet with the independent auditors on an annual basis both with and without management present to discuss any matter which the independent auditor wishes to bring to the committee for its consideration;
- vi) To annually review the independence of the auditors and to either reconfirm the selection of the incumbent auditor or select a new auditor for the year – including accepting the fee for the audit; and
- vii) To assess the adequacy of RS Inc.'s risk management policies and procedures including an assessment of the adequacy of insurance coverage and reviewing reports on the plans and activities undertaken by the risk management group.

13.1.3 Proposed Universal Market Integrity Rules


TSE • Regulation Services
Universal Market Integrity Rules for Canadian Marketplaces
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Universal Market Integrity Rules for Canadian Marketplaces
APPENDIX A
SUMMARY OF OBLIGATIONS OF MARKETPLACES AND PERSONS WITH ACCESS

UMIR	Rule Description	Marketplaces		Persons with Access		
		Exchange/ QTRS	ATS	PO/Member	Dealer Subscriber	Non-Dealer Subscriber
Part 1	Definitions and Interpretation					
1.1	Definitions - definition of terms used in the rules and any policy	✓	✓	✓	✓	✓
1.2	Interpretation - adoption of definitions used in other applicable instruments and general rules to determining prices.	✓	✓	✓	✓	✓
Part 2	Manipulative or Deceptive Method of Trade					
2.1	Just and Equitable Principles - requirement to conduct business on a marketplace openly and fairly			✓	✓	✓
2.2	Manipulative or Deceptive Method of Trading - prohibition on certain practices when trading on a marketplace			✓	✓	✓

SRO Notices and Disciplinary Decisions

		Exchange/ QTRS	ATS	PO/Member	Dealer Subscriber	Non-Dealer Subscriber
Part 3	Short Selling					
3.1	Restrictions on Short Selling - restrictions on selling securities short at a price below the last sale price			✓	✓	✓
Part 4	Frontrunning					
4.1	Frontrunning - prohibition on frontrunning client orders			✓	✓	
Part 5	Best Execution Obligation					
5.1	Best Execution of Client Orders - general obligation to ensure a client order is executed on most advantageous terms			✓	✓	
5.2	Best Price Obligation - obligation to ensure a client order could not be executed on another marketplace at a better price			✓	✓	
5.3	Client Priority - priority for client orders over principal and non-client orders			✓	✓	
Part 6	Order Entry and Exposure					
6.1	Entry of Orders to a Marketplace - establishment of standard trading increments for orders and all orders to be subject to special trading rules issued by an exchange or recognized quotation and trade reporting system	✓	✓	✓	✓	✓
6.2	Designations and Identifiers - requirement for standard designations and identifiers to be on each order entered on a marketplace	✓	✓	✓	✓	✓ 1
6.3	Exposure of Client Orders - requires client orders below specified size to be immediately entered on a marketplace			✓	✓	
6.4	Trades to be on a Marketplace - general requirement that trades by dealers and related entities be on a marketplace			✓	✓	
6.5	Reporting Market-on-Close Orders - requires the reporting of Market-on-Close Orders to the Market Regulator to ensure fair and orderly markets.			✓	✓	✓
Part 7	Trading in a Marketplace					
7.1	Clearing Obligations - requirement that all persons with access to a marketplace have satisfactory clearing and settlement arrangements			✓	✓	✓
7.2	Trading Supervision Obligations - requirement to have written trading policies and procedures, appointment of supervisory staff and review of orders prior to entry to a marketplace			✓	✓	
7.3	Proficiency Obligations - requirement that persons entering orders to a marketplace have demonstrated proficiency in trading rules and the ATS to have the obligation to ensure Non-Dealer Subscribers are trained in the rules		✓ 2	✓	✓	
7.4	Liability for Bids, Offers and Trades - provides that all bids and offers accepted on marketplace become binding contracts and the responsibility for the order and contracts by a Participant or ATS where the order has been entered on the ATS by a Non-Dealer Subscribers		✓ 3	✓	✓	
7.5	Contract Record and Official Transaction Record - contract record of marketplace to govern settlement and disputes - obligation of marketplace to provide information on trades to the data consolidator	✓	✓			
7.6	Recorded Prices - limits negative commissions on trade with clients			✓	✓	

SRO Notices and Disciplinary Decisions

		Exchange/ QTRS	ATS	PO/Member	Dealer Subscriber	Non-Dealer Subscriber
7.7	Cancelled Trades – provides that a cancelled trade does not effect validity of subsequent trades	✓	✓	✓	✓	✓
7.8	Restrictions on Trading by a Participant Involved in a Distribution – restricts trading in a listed security or quoted security on a marketplace by an underwriter			✓	✓	
7.9	Restrictions on Trading During a Securities Exchange Take-over Bid – restricts transactions by a dealer-manager on a marketplace in a security offered as consideration under a take-over bid			✓	✓	
7.10	Trading in Listed or Quoted Securities by Market Makers and Specialists – requires compliance with additional requirements of any exchange or recognized quotation and trade reporting system			✓	✓	
Part 8	Principal Trading					
8.1	Client-Principal Trading – general obligation of a dealer when trading a client order against a principal or non-client order			✓	✓	
Part 9	Trading Halts, Delays and Suspensions					
9.1	Trading Halts, Delays and Suspensions – establishes uniform provisions for halts, delays and suspensions to be observed on all marketplaces	✓	✓	✓	✓	✓
Part 10	Compliance					
10.1	Compliance Requirement – general requirement to comply with UMIR and framework for enforcement proceedings			✓	✓	✓
10.2	Investigations – general power of the Market Regulator to require information in connection with an investigation	✓	✓	✓	✓	✓
10.3	Extension of Responsibility – makes Participant and Non-Dealer Subscribers liable for conduct of their directors, officers, partners and employees and supervisors liable for actions of employees that they supervise			✓	✓	✓
10.4	Extension of Restrictions – extends the application of certain rules to related entities of persons with market access and to directors, officers, partners and employees of the person with access and related entities			✓	✓	✓
10.5	Powers and Remedies – sets out penalties and remedies which the Market Regulator may impose for a breach of UMIR	✓	✓	✓	✓	✓
10.6	Exercise of Authority – establishes the power of Hearing Panels to impose the remedies and penalties and the ability to appeal orders of Hearing Panels to the governing body of the Market Regulator	✓	✓	✓	✓	✓
10.7	Assessment of Expenses – power of the Market Regulator to assess expenses in connection with an order.	✓	✓	✓	✓	✓
10.8	Practice and Procedure – provides the ability of the Market Regulator to adopt practice and procedures related to hearings and appeals	✓	✓	✓	✓	✓
10.9	Power of Market Integrity Officials – provides the general power required to administer UMIR and regulate the marketplaces	✓	✓	✓	✓	✓
10.10	Report of Short Positions – requirement to provide information on short positions to the Market Regulator			✓	✓	✓

SRO Notices and Disciplinary Decisions

		Exchange/ QTRS	ATS	PO/Member	Dealer Subscriber	Non-Dealer Subscriber
10.11	Audit Trail Requirements – requirement that each dealer record and provide information on each order entered to a marketplace to the Market Regulator and for each dealer and Non-Dealer Subscriber to provide such additional information as may be required regarding the trade or prior or subsequent orders for the same security or a related security			✓	✓	✓ 4
10.12	Retention and Inspection of Records and Instructions – requirement that dealers retain records of orders and that dealers and Non-Dealer Subscriber allow an appropriate Market Regulator to inspect the records			✓	✓	✓ 5
10.13	Exchange and Provision of Information by Market Regulators – requires Market Regulators to provide information and assistance to other regulatory entities for the administration and enforcement of the rules	✓	✓			
10.14	Synchronization of Clocks - requires all marketplaces and participants to synchronize clocks for the recording of data	✓	✓	✓	✓	
10.15	Assignment of Identifiers and Symbols - provides a mechanism for the assignment of unique identifiers to marketplaces and dealers and for unique symbols to securities which are eligible to trade on a marketplace	✓	✓	✓	✓	✓
Part 11	Administration of Rules					
11.1	General Exemptive Relief - provides each Market Regulator with the power to exempt a particular person or transaction from the application of a rule	✓	✓	✓	✓	✓
11.2	General Prescriptive Power - provides each Market Regulator with the power to make a policy to aid in the administration of a rule	✓	✓	✓	✓	✓
11.3	Review of Market Regulator Decisions - any decision of a Market Regulator or Market Integrity Official may be reviewed by a securities regulatory authority	✓	✓	✓	✓	✓
11.4	Method of Giving Notice – general requirement for the provision of notice to any person	✓	✓	✓	✓	✓
11.5	Computation of Time – general rule respecting the calculation of time periods	✓	✓	✓	✓	✓
11.6	Waiver of Notice – ability to waive any notice requirement	✓	✓	✓	✓	✓
11.7	Omissions or Errors in Giving Notice – saving provision when notice is improperly given	✓	✓	✓	✓	✓
11.8	Transitional Provisions – provides a mechanism for the transition of marketplace rules and disciplinary proceedings to the Market Regulator retained by the marketplace as its regulation service provider.	✓	✓	✓	✓	✓
11.9	Non-Application of Rules – limits application of rules	✓	✓	✓	✓	✓

Notes: Certain provisions of UMIR would have a limited application to either ATs or Non-Dealer Subscribers. In particular:

1. Rule 6.2 - Certain order designations are applicable to dealers only (such as the requirement to mark a principal order, non-client order, jitney order etc.). Non-Dealer Subscribers would be required to mark orders as to type, including whether the order is a short sale, and whether the Non-Dealer Subscriber is an insider or significant shareholder of the security subject to the order.
2. Rule 7.3 - An ATS would be under an obligation to ensure that a Non-Dealer Subscriber has been trained in the Rules.

3. Rule 7.4 - An ATS would have responsibility for all trades arising from orders entered through the ATS subject to the obligation of a Non-Dealer Subscriber for compliance with the requirements of the Rules and each Policy. In marketplaces other than an ATS, this obligation is imposed on Participants, the registered intermediaries between the client and the marketplace.
4. Rule 10.11 - A Non-Dealer Subscriber is not required to maintain or to transmit an electronic record of an order to a Market Regulator. A Non-Dealer Subscriber is under an obligation to provide to the Market Regulator of the marketplace on which an order was entered or executed certain information respecting that order or trade or other prior or subsequent orders or trades in the same security or a related security.
5. Rule 10.12 - A Non-Dealer Subscriber is not required to maintain specific records of each order. However, the Market Regulator of the marketplace on which an order was entered or executed may inspect any records that are maintained by the Non-Dealer Subscriber regarding an order or trade.

Universal Market Integrity Rules for Canadian Marketplaces

APPENDIX B

PART 1 – DEFINITIONS AND INTERPRETATION

1.1 Definitions

In these Rules, unless the subject matter or context otherwise requires:

“**arbitrage account**” means a principal account in which the holder makes a usual practice of buying and selling:

- (a) securities in different markets to take advantage of differences in prices available in each market; or
- (b) securities which are or may become convertible or exchangeable by the terms of the securities or operation of law into other securities in order to take advantage of differences in prices between the securities.

“**BDM**” means the Bourse de Montréal Inc.

“**best ask price**” means the lowest price of an order on any marketplace as displayed in a consolidated market display to sell a particular security, but does not include the price of any Special Terms Order.

“**best bid price**” means the highest price of an order on any marketplace as displayed in a consolidated market display to buy a particular security, but does not include the price of any Special Terms Order.

“**better price**” means, in respect of a particular security:

- (a) a price lower than the best ask price, in the case of a purchase; and
- (b) a price higher than the best bid price, in the case of a sale.

“**Board**” means the board of directors or other governing body of a Market Regulator.

“**CDNX**” means the Canadian Venture Exchange Inc.

“**Call Market Order**” means an order for the purchase or sale of one or more particular securities that is entered in a special facility operated by a marketplace to trade at a particular time or times during a trading day at a better price.

“**client order**” means an order for the purchase or sale of a security received or originated by a Participant for the account of a client of the Participant or a client of an affiliated entity of the

Participant, but does not include a principal order or a non-client order.

“**consolidated market display**” means, in respect of a particular security:

- (a) the consolidated feed respecting orders and trades produced by an information processor in accordance with section 7.3 of the Marketplace Operation Instrument provided such consolidated feed includes details of orders and trades from the principal market; or
- (b) information regarding all orders and trades on a marketplace produced by an information vendor for the purposes of the Marketplace Operation Instrument provided such information includes details of orders and trades from the principal market.

“**derivative market maker account**” means the account of a person who performs the function ordinarily associated with a market maker or specialist on the BDM in connection with a derivative instrument.

“**Exchange**” means:

- (a) the BDM;
- (b) the CDNX;
- (c) the TSE; and
- (d) a person recognized by the applicable securities regulatory authority under securities legislation to carry on business as an exchange.

“**hearing**” means a disciplinary and enforcement proceeding commenced by a Market Regulator to determine whether a person has contravened a Requirement or is liable for the contravention of a Requirement and includes any procedural applications or motions in relation to those proceedings.

“**Hearing Committee**” means a standing committee of a Market Regulator comprised of persons selected in accordance with the Policy made under Rule 10.8

“**Hearing Panel**” means the particular members of the Hearing Committee selected in accordance with the Policy made under Rule 10.8 to hear a particular disciplinary and enforcement proceeding.

“**hedge**” means the purchase or sale of a security by a person to offset, in whole or in part, the risk assumed on a prior purchase or sale or to be assumed on a subsequent purchase or sale of that security or a related security.

"insider" means a person who is an insider of an issuer for the purpose of applicable securities legislation.

"intentional cross" means a trade resulting from the entry by a Participant of both the order to purchase and the order to sell a security, but does not include a trade in which the Participant has entered one of the orders as a jitney order.

"internal cross" means an intentional cross between two client accounts of a Participant which are managed by a single firm acting as a portfolio manager with discretionary authority to manage the investment portfolio granted by each of the clients and includes a trade where the Participant is acting as a portfolio manager in authorizing the trade between the two client accounts.

"jitney order" means an order entered on a marketplace by a Participant acting for or on behalf of another Participant.

"last sale price" means the price of the last sale of at least one standard trading unit of a particular security displayed in a consolidated market display.

"limit order" means an order to:

- (a) buy a security to be executed at a specified maximum price; or
- (b) sell a security to be executed at a specified minimum price.

"listed security" means a security listed on an Exchange.

"Market Operation Instrument" means National Instrument 21-101 – Marketplace Operation as amended, supplemented and in effect from time to time;

"market order" means an order to:

- (a) buy a security to be executed upon entry to a marketplace at the best ask price; or
- (b) sell a security to be executed upon entry to a marketplace at the best bid price.

"Market-on-Close Order" means an order for the purchase or sale of a security:

- (a) received by a Participant to execute at the closing price of the listed security in the Regular Session on the Exchange on which the security is listed on that trading day; or
- (b) entered on a special facility operated by a marketplace for the purpose of calculating and executing at the closing price of the security on that marketplace.

"Market Regulator" means:

- (a) in respect of the TSE, RS Inc.;
- (b) in respect of the CDNX, RS Inc.;
- (c) in respect of the BDM, the Regulatory Division of BDM; and
- (d) in respect of any other marketplace, the regulation service provider with whom that marketplace has entered an agreement in accordance with the requirements of the Trading Rules.

"Market Integrity Official" means an employee of a Market Regulator designated by the Market Regulator to exercise the powers of the Market Regulator under these Rules.

"marketplace" means:

- (a) an Exchange;
- (b) a QTRS;
- (c) an ATS.

"Marketplace Rules" means the rules, policies and other similar instruments adopted by an Exchange or a QTRS as filed in accordance with National Instrument 21-101 or as approved by the applicable securities regulatory authority in accordance with applicable securities legislation.

"non-client order" means an order for the purchase or sale of a security received or originated by a Participant for an account:

- (a) for a partner, director, officer or a person holding a similar position or acting in a similar capacity of the Participant or of a related entity of the Participant;
- (b) for an employee of the Participant or of a related entity of the Participant who holds approval from an Exchange or a self-regulatory entity; or
- (c) which is considered to be an employee account or a non-client account by a self-regulatory entity,

but does not include a principal account.

"net cost" means the amount by which the sum of the total cost of the trade on the purchase of securities based on the purchase price on the marketplace and any commission charged to the client by the Participant exceeds the amount of any allowance, discount, rebate and any other benefit with a monetary value that is allowed to the client on the trade by the Participant or any other person.

"net proceeds" means the amount by which the sum of the total proceeds of the trade on the sale of securities based on the sale price on the marketplace and the amount of any allowance, discount, rebate and other benefit with a monetary value that is allowed to the client on the trade by the Participant or any other person exceeds any commission charged to the client by the Participant.

"Non-Dealer Subscriber" means a subscriber who is not a Participant.

"offered security" means the security offered in a securities exchange take-over bid.

"Opening Order" means an order for the purchase or sale of a security:

- (a) entered by a Participant prior to a Regular Session of an Exchange to execute at the opening price of the listed security in the Regular Session on that Exchange on that trading day; or
- (b) entered on a special facility operated by a marketplace for the purpose of calculating and executing the opening price of the security on that marketplace.

"Participant" means:

- (a) a dealer registered in accordance with securities legislation of any jurisdiction and who is:
 - (i) a member of an Exchange,
 - (ii) a user of a QTRS, or
 - (iii) a subscriber of an ATS; or
- (b) a person who has been granted trading access to a marketplace and who performs the functions ordinarily associated with a market maker, specialist or restricted permit holder on the BDM.

"Policy" means a policy statement adopted by a Market Regulator in connection with the administration or application of these Rules as such policy statement is amended, supplemented and in effect from time to time.

"principal account" means an account in which a Participant or a related entity of the Participant holds a direct or indirect interest other than an interest in the commission charged on a transaction.

"principal order" means an order for the purchase or sale of a security received or originated by a Participant for a principal account.

"QTRS" means a recognized quotation and trade reporting system.

"quoted security" means a security quoted on a QTRS.

"Regular Session" means the time period during a trading day when an Exchange is ordinarily open for trading, but does not include any extended or special trading facility of the Exchange.

"related entity" means, in respect of a particular person:

- (a) an affiliated entity of the particular person which carries on business in Canada and is registered as a dealer or adviser in accordance with applicable securities legislation; and
- (b) a person who has been designated by a Market Regulator in accordance with subsection (3) of Rule 10.4 as a person who acts in conjunction with the particular person.

"related security" means, in respect of a particular security:

- (a) a security which is convertible or exchangeable into the particular security;
- (b) a security into which the particular security is convertible or exchangeable;
- (c) a derivative instrument for which the particular security is the underlying interest;
- (d) a derivative instrument for which the market price varies materially with the market price of the particular security; and
- (e) if the particular security is a derivative instrument, a security which is the underlying interest of the derivative instrument or a significant component of an index which is the underlying interest of the derivative instrument.

"Requirements" means, collectively:

- (a) these Rules;
- (b) the Policies;
- (c) the Trading Rules;
- (d) the Marketplace Rules; and
- (e) any direction, order or decision of the Market Regulator or a Market Integrity Official,

as amended, supplemented and in effect from time to time.

"restricted person" means, in respect of a securities exchange take-over bid:

- (a) the Participant appointed by the offeror to be dealer-manager or manager in respect of such securities exchange take-over bid;
- (b) a related entity of the Participant;

- (c) a partner, director, officer or a person holding a similar position or acting in a similar capacity, of the Participant or of a related entity of the Participant; or
- (d) an employee of the Participant or of a related entity of the Participant who has been granted approval from an Exchange or a self-regulatory entity.

"Rules" means these Universal Market Integrity Rules as amended, supplemented and in effect from time to time.

"securities exchange take-over bid" means a take-over bid where the consideration for the securities of the offeree is to be, in whole or in part, securities traded on a marketplace.

"short sale" means a sale of a security, other than a derivative instrument, which the seller does not own either directly or through an agent or trustee and, for this purpose, a seller shall be considered to own a security if the seller:

- (a) has purchased or has entered into an unconditional contract to purchase the security, but has not yet received delivery of the security;
- (b) has tendered such other security for conversion or exchange or has issued irrevocable instructions to convert or exchange such other security;
- (c) has an option to purchase the security and has exercised the option;
- (d) has a right or warrant to subscribe for the security and has exercised the right or warrant; or
- (e) is making a sale of a security that trades on a when issued basis and the seller has entered into a contract to purchase such security which is binding on both parties and subject only to the condition of issuance of distribution of the security,

but a seller shall be considered not to own a security if:

- (f) the seller has borrowed the security to be delivered on the settlement of the trade and the seller is not otherwise considered to own the security in accordance with this definition; or
- (g) the security held by the seller is subject to any restriction on sale imposed by applicable securities legislation or by an Exchange or QTRS as a condition of the listing or quoting of the security.

"significant shareholder" means any person holding separately, or in combination with other

persons, more than 20 per cent of the outstanding voting securities of an issuer.

"Special Terms Order" means an order for the purchase or sale of a security:

- (a) for less than a standard trading unit;
- (b) the execution of which is subject to a condition other than as to price or date of settlement; or
- (c) that on execution would be settled on a date other than:
 - (i) the third business day following the date of the trade, or
 - (ii) any settlement date specified in a special rule or direction referred to in subsection (2) of Rule 6.1 that is issued by an Exchange or a QTRS.

"standard trading unit" means, in respect of:

- (a) a derivative instrument, 1 contract;
- (b) a debt security, \$1,000 in principal amount;
- (c) any equity or similar security:
 - (i) 1,000 units of a security trading at less than \$0.10 per unit,
 - (ii) 500 units of a security trading at \$0.10 or more per unit and less than \$1.00 per unit, and
 - (iii) 100 units of a security trading at \$1.00 or more per unit;
- (d) a particular listed security or class of listed securities, such other number of units of the security as may be specified from time to time by the Exchange on which such security is listed; or
- (e) a particular quoted security or class of quoted securities, such other number of units of the security as may be specified from time to time by the QTRS on which such security is quoted.

"trades on a when issued basis" means purchases or sales of a security to be issued pursuant to:

- (a) a prospectus offering where a receipt for the final prospectus for the offering has been issued by the applicable securities regulatory authority but the offering has not closed and settled;
- (b) a proposed plan of arrangement, an amalgamation or a take-over bid prior to the effective date of the amalgamation or the arrangement or the expiry date of the take-over bid; or
- (c) any other transaction that is subject to the satisfaction of certain conditions,

and the trade is to be settled only if the security is issued and the trade in the security prior to the issuance would not contravene the applicable securities legislation.

"trading day" means a calendar day during which trades are executed on a marketplace.

"Trading Rules" means National Instrument 23-101 as amended, supplemented and in effect from time to time.

"TSE" means The Toronto Stock Exchange Inc.

"Volume-Weighted Average Price Order" means an order for the purchase or sale of a security:

- (a) entered by a Participant prior to a Regular Session of an Exchange to be executed at an average price of the listed security traded on that Exchange during that Regular Session weighted in accordance with the volume traded at each price increment; or
- (b) entered on a special facility operated by a marketplace for the purpose of executing trades at an average price of the security traded on that marketplace.

1.2 Interpretation

(1) Unless otherwise defined or interpreted, every term used in these 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;
- (b) defined or interpreted in the Marketplace Operation Instrument has the meaning ascribed to it in that National Instrument; and
- (c) a reference to a requirement of an Exchange or a QTRS shall have the meaning ascribed to it in the applicable Marketplace Rule.

(2) For the purposes of these Rules, the following terms shall be as defined by applicable securities legislation except that:

"person" includes any corporation, incorporated association, incorporated syndicate or other incorporated organization.

"trade" includes a purchase or acquisition of a security for valuable consideration.

(3) In determining the value of an order for the purposes of Rule 6.3 and 8.1, the value shall be calculated as of the time of the receipt or origination of the order and shall be calculated

by multiplying the number of units of the security to be bought or sold under the order by:

- (a) in the case of a limit order for the purchase of a security, the lesser of:
 - (i) the specified maximum price in the order, and
 - (ii) the best ask price;
- (b) in the case of a limit order for the sale of a security, the greater of:
 - (i) the specified minimum price in the order, and
 - (ii) the best bid price;
- (c) in the case of a market order for the purchase of a security, the best ask price; and
- (d) in the case of a market order for the sale of a security, the best bid price.

(4) For the purposes of determining the "last sale price", if a sale of at least a standard trading unit of a particular security has not been previously displayed in a consolidated market display the last sale price shall be deemed to be the price:

- (a) of the last sale of the security on an Exchange, if the security is a listed security;
- (b) of the last sale of the security on a QTRS, if the security is a quoted security;
- (c) at which the security has been issued or distributed to the public, if the security has not previously traded on a marketplace;
- (d) that has been accepted by a Market Regulator, in any other circumstance.

(5) For the purposes of determining the price at which a security is trading for the purposes of the definition of a "standard trading unit", the price shall be the last sale price of the particular security on the immediately preceding trading day.

PART 2 – MANIPULATIVE OR DECEPTIVE METHOD OF TRADING

2.1 Just and Equitable Principles

A Participant or Non-Dealer Subscriber shall transact business openly and fairly and in accordance with just and equitable principles of trade when:

- (a) trading on a marketplace; or
- (b) trading or otherwise dealing in securities which are eligible to be traded on a marketplace.

2.2 Manipulative or Deceptive Method of Trading

- (1) A Participant or Non-Dealer Subscriber shall not, directly or indirectly, use nor knowingly facilitate nor participate in the use of any manipulative or deceptive method of trading in connection with the entry of an order or orders to trade on a marketplace for the purchase or sale of any security which creates or which could reasonably be expected to create a false or misleading appearance of trading activity or an artificial price for the security or a related security.
- (2) Without limiting the generality of subsection (1), the following activities when undertaken on a marketplace constitute deceptive and manipulative methods of trading:
 - (a) making a fictitious trade;
 - (b) effecting a trade in a security which involves no change in the beneficial or economic ownership;
 - (c) effecting trades by a single interest or group with the intent of limiting the supply of a security for settlement of trades made by other persons except at prices and on terms arbitrarily dictated by such interest or group; and
 - (d) purchasing a security with the intention of making a sale of the same or a different number of units of the security or a related security on a marketplace at a price which is below the price of the last sale of a standard trading unit of such security displayed in a consolidated market display.
- (3) Without limiting the generality of subsection (1), the following activities shall be considered deceptive and manipulative methods of trading when undertaken on a marketplace with the intention of creating a false or misleading appearance of trading activity or an artificial price for a security or a related security:
 - (a) entering an order or orders for the purchase of a security with the knowledge that an order or orders of substantially the same size, at substantially the same time and at substantially the same price for the sale of that security, has been or will be entered by or for the same or different persons;
 - (b) entering an order or orders for the sale of a security with the knowledge that an order or orders of substantially the same size, at substantially the same time and at substantially the same price for the purchase of that security, has been or will be entered;
 - (c) making purchases of, or offers to purchase, a security at successively higher prices;
 - (d) making sales of or offers to sell a security at successively lower prices;
 - (e) entering an order or orders for the purchase or sale of a security to:
 - (i) establish a predetermined price or quotation,
 - (ii) effect a high or low closing price or closing quotation, or
 - (iii) maintain the trading price, ask price or bid price within a predetermined range; and
 - (f) entering a series of orders for a security that are not intended to be executed.
- (4) A price will be considered artificial if the price is not justified by real demand or supply in a security.
- (5) For the purposes of subsection (4), a price in a security may be considered not justified by real demand or supply if:
 - (a) the price is higher or lower than the previous price and the market immediately returns to the previous price following the trade; and
 - (b) the bid price is raised or the ask price is lowered by an order which, at the time of entry, is the only order at that price and the order is cancelled prior to trading.

PART 3 – SHORT SELLING

3.1 Restrictions on Short Selling

- (1) Except as otherwise provided, a Participant or Non-Dealer Subscriber shall not make a short sale of a security on a marketplace unless the price is at or above the last sale price.
- (2) A short sale of a security may be made on a marketplace at a price below the last sale price if the sale is:
 - (a) a program trade in accordance with the Marketplace Rules of an Exchange;
 - (b) for the account of the Responsible Registered Trader and made in furtherance of the market making obligations of the Responsible Registered Trader in accordance with the Marketplace Rules of the TSE;
 - (c) for the account of the Odd Lot Member and made in accordance with the Marketplace Rules of CDNX;
 - (d) for the account of market maker for the security on a QTRS and is made in

accordance with the Marketplace Rules of that QTRS;

- (e) for an arbitrage account and the seller knows or has reasonable grounds to believe that an offer enabling the seller to cover the sale is then available and the seller intends to accept such offer immediately;
- (f) for a derivative market maker account and is made:
 - (i) in accordance with the market making obligations of the seller in connection with the security or a related security, and
 - (ii) to hedge a pre-existing position in the security or a related security;
- (g) the first sale of the security on any marketplace made on an ex-dividend, ex-rights or ex-distribution basis and the price of the sale is not less than the last sale price reduced by the cash value of the dividend, right or other distribution; or
- (h) the result of:
 - (i) a Call Market Order,
 - (ii) a Market-on-Close Order, or
 - (iii) a Volume-Weighted Average Price Order.

PART 4 - FRONTRUNNING

4.1 Frontrunning

- (1) A Participant with knowledge of a client order that on entry could reasonably be expected to affect the market price of a security, shall not, prior to the entry of such client order,
 - (a) enter a principal order or a non-client order on a marketplace, stock exchange or market, including any over-the-counter market, for the purchase or sale of the security or any related security;
 - (b) solicit an order from any other person for the purchase or sale of the security or any related security; or
 - (c) inform any other person, other than in the necessary course of business, of the client order.
- (2) A Participant does not contravene subsection (1) if:
 - (a) no director, officer, partner, employee or agent of the Participant who made or participated in making the decision to enter a principal order or non-client order or to

solicit an order had actual knowledge of the client order;

- (b) an order is entered or trade made for the benefit of the client for whose account the order is to be made;
- (c) an order is solicited to facilitate the trade of the client order;
- (d) a principal order is entered to hedge a position that the Participant had assumed or agreed to assume before having actual knowledge of the client order provided the hedge is:
 - (i) commensurate with the risk assumed by the Participant, and
 - (ii) entered into in accordance with the ordinary practice of the Participant when assuming or agreeing to assume a position in the security;
- (e) a principal order is made to fulfil a legally binding obligation entered into by the Participant before having actual knowledge of the client order; or
- (f) the order is entered for an arbitrage account.

PART 5 – BEST EXECUTION OBLIGATION

5.1 Best Execution of Client Orders

A Participant shall diligently pursue the execution of each client order on the most advantageous terms for the client as expeditiously as practicable under prevailing market conditions.

5.2 Best Price Obligation

- (1) A Participant shall make reasonable efforts prior to the execution of a client order to ensure that:
 - (a) in the case of an offer by the client, the order is executed at the best bid price; and
 - (b) in the case of a bid by the client, the order is executed at the best ask price.
- (2) Subsection (1) does not apply to the execution of an order which is:
 - (a) required or permitted by a Market Regulator to be executed other than on a marketplace in order to maintain a fair or orderly market;
 - (b) a Special Terms Order unless:
 - (i) the security is a listed security or quoted security and the Marketplace Rules of the Exchange or QTRS

- governing the trading of a Special Terms Order provide otherwise, or
- (ii) the order could be executed in whole, according to the terms of the order, on a marketplace or with a market maker displayed in a consolidated market display;
- (c) a Call Market Order;
 - (d) a Volume-Weighted Average Price Order;
 - (e) a Market-on-Close Order; or
 - (f) an Opening Order.
- (3) For the purposes of subsection (1), the Participant may take into account any transaction fees that would be payable to the marketplace in connection with the execution of the order as set out in the schedule of transaction fees disclosed in accordance with Marketplace Operation Instrument.

5.3 Client Priority

- (1) A Participant shall give priority to a client order of the Participant over all principal orders and non-client orders of the Participant that are received, originated or entered on a marketplace after the receipt of the client order for the same security at the same price on the same side of the market on the same settlement terms.
- (2) Despite subsection (1) but subject to Rule 4.1, a Participant is not required to give priority to a client order if:
 - (a) the client specifically has consented to the Participant entering principal orders and non-client orders for the same security at the same price on the same side of the market on the same settlement terms; or
 - (b) the client order has not been entered on a marketplace as a result of:
 - (i) the client specifically instructing the Participant to deal otherwise with the particular order,
 - (ii) the client specifically granting discretion to the Participant with respect to entry of the order, or
 - (iii) the Participant determining, based on market conditions, that entering the order would not be in the best interests of the client,

and no director, officer, partner, employee or agent of the Participant with knowledge that the client order has not been entered on a marketplace enters a principal order or a non-client order for the same security on the same side of the market on the same settlement terms; or

- (c) the principal order or non-client order is:
 - (i) for the account of the Responsible Registered Trader and has been automatically generated by the trading system in accordance with the Marketplace Rules of the TSE in respect of the obligations of the Responsible Registered Trader for the Minimum Guaranteed Fill facility and orders for less than a board lot,
 - (ii) for the account of the Odd Lot Member and has been automatically generated by the trading system in accordance with the Marketplace Rules of CDNX in respect of the obligations of the Odd Lot Member for order for less than a board lot,
 - (iii) a Call Market Order, Opening Order, Volume-Weighted Average Price Order or a Market-on-Close Order that is entered into a special facility of a marketplace that uses established, non-discretionary methods to execute trades, or
 - (iv) part of a program trade, a switch transaction, an exchange for physicals or a contingent option trade made in accordance with the Marketplace Rules of the TSE.
- (d) a Market Integrity Official requires or permits the principal order or non-client order to be executed in priority to a client order.

- (3) For the purposes of clause (2)(a), a client shall be deemed to have consented to the Participant entering principal orders and non-client orders for the same security at the same price on the same side of the market on the same settlement terms if the client order, in accordance with the specific instructions of the client, is to be executed in part at various times during the trading day or at various prices during the trading day.

PART 6 – ORDER ENTRY AND EXPOSURE

6.1 Entry of Orders to a Marketplace

- (1) No order to purchase or sell a security shall be entered to trade on a marketplace at a price that includes a fraction or a part of a cent.
- (2) Each order to purchase or sell a listed security or a quoted security entered to trade on a marketplace shall be subject to any special rule or direction issued by the Exchange on which the security is listed or by the QTRS on which the security is quoted with respect to:
 - (a) clearing and settlement; and

- (b) entitlement of the purchaser to receive a dividend, interest or any other distribution made or right given to holders of that security.

6.2 Designations and Identifiers

- (1) Each order entered on a marketplace shall contain:

- (a) the identifier of:

- (i) the Participant entering the order as assigned to the Participant in accordance with Rule 10.15, or
- (ii) the ATS on which the order is entered as assigned to the ATS in accordance with Rule 10.15, if the order has been entered by a Non-Dealer Subscriber;

- (b) a designation acceptable to the Market Regulator for the marketplace on which the order is entered, if the order is:

- (i) a Call Market Order,
- (ii) an Opening Order,
- (iii) a Market-on-Close Order,
- (iv) a Special Terms Order,
- (v) a Volume-Weighted Average Price Order,
- (vi) a short sale,
- (vii) part of a program trade in accordance with the Marketplace Rules of an Exchange,
- (viii) a non-client order,
- (ix) a principal order,
- (x) a jitney order,
- (xi) part of an intentional cross or internal cross,
- (xii) for a derivative market maker account,
- (xiii) for the account of a person who is an insider of the issuer of the security which is the subject of the order,
- (xiv) for the account of a person who is a significant shareholder of the issuer of the security which is the subject of the order, or
- (xv) of a type for which the Market Regulator may from time to time require a specific or particular designation.

- (2) If the order entered on a marketplace is a Special Terms Order, the order shall contain, in addition to all designations and identifiers required by subsection (1), information in such form as is acceptable to the Market Regulator of the marketplace on which the order is entered respecting:

- (a) any condition on the execution of the order; and
- (b) the settlement date.

- (3) If following the entry of an order on a marketplace for the sale of security that has not been designated as a short sale such order would become a short sale on execution, the order shall be modified to include the short sale designation required by subsection (1).

- (4) Each order entered on a marketplace including all designations and identifiers required by subsection (1) shall be disclosed to each Market Regulator.

- (5) The marketplace on which the order is entered shall determine if the identifier of the Participant or the ATS shall be displayed in a consolidated market display.

- (6) Unless otherwise permitted or directed by the Market Regulator, a marketplace shall not disclose for display in a consolidated market display any designation attached to an order other than the designation that the order is a Special Terms Order.

- (7) Unless otherwise permitted or directed by the Market Regulator, a marketplace shall not disclose for display in a consolidated market display:

- (a) the size of:

- (i) a Call Market Order,
- (ii) a Market-on-Close Order, or
- (iii) a Volume-Weighted Average Price Order; and

- (b) the price of an Opening Order other than the price which has been calculated by the marketplace as the opening price of the security.

6.3 Exposure of Client Orders

- (1) A Participant shall immediately enter on a marketplace a client order to purchase or sell 50 standard trading units or less of a security unless:

- (a) the client has specifically instructed the Participant to deal otherwise with the particular order;
- (b) the Participant executes the order upon receipt at a better price;
- (c) the Participant returns the order for confirmation of the terms of the order;
- (d) the Participant withholds the order pending confirmation that the order complies with applicable securities requirements or, if applicable, the Marketplace Rules of any Exchange on which the security is listed or of any QTRS on which the security is quoted;

- (e) the Participant determines based on market conditions that entering the order would not be in the best interests of the client;
 - (f) the order has a value of more than \$100,000;
 - (g) the order is part of a trade to be made in accordance with Rule 6.4 by means other than entry on a marketplace; or
 - (h) the order is:
 - (i) a Call Market Order,
 - (ii) an Opening Order,
 - (iii) a Special Terms Order,
 - (iv) a Volume-Weighted Average Price Order,
 - (v) a Market-on-Close Order, or
 - (vi) part of a wide distribution made in accordance with the Marketplace Rules of the TSE.
- (2) If a Participant withholds a client order from entry based on market conditions in accordance with clause (1)(e), the Participant may enter the order in parts over a period of time or adjust the terms of the order prior to entry but the Participant must guarantee that the client receives:
- (a) a price at least as good as the price the client would have received if the client order had been executed on receipt by the Participant; and
 - (b) if the Participant executes the client order against a principal order or non-client order, a better price than the price the client would have received if the client order had been executed on receipt by the Participant.

6.4 Trades to be on a Marketplace

A Participant acting as principal or agent may not trade nor participate in a trade in a security by means other than the entry of an order on a marketplace unless the trade is:

- (a) Unlisted or Non-Quoted Security - in a security which is not a listed security or a quoted security;
- (b) Regulatory Exemption – required or permitted by a Market Regulator to be executed other than on a marketplace in order to maintain a fair or orderly market and provided, in the case of a listed security or quoted security, the Market Regulator requiring or permitting the order to be executed other than on a marketplace shall be the Market Regulator of the Exchange on which the security is listed or of the QTRS on which the security is quoted;
- (c) Error Adjustment - to adjust by a journal entry an error in connection with a client order;

- (d) On Another Market – on another exchange or organized regulated market that publicly disseminates details of trades in that market;
- (e) Outside of Canada – as principal with a non-Canadian account or as agent if both the purchaser and seller are non-Canadian accounts provided such trade is reported to a marketplace or to a stock exchange or organized regulated market that publicly disseminates details of trades in that market;
- (f) Term of Securities – as a result of a redemption, retraction, exchange or conversion of a security in accordance with the terms attaching to the security;
- (g) Options – as a result of the exercise of an option, right, warrant or similar pre-existing contractual arrangement;
- (h) Prospectus and Exempt Distributions – pursuant to a prospectus, take-over bid, issuer bid, amalgamation, arrangement or similar transaction including any distribution of previously unissued securities by an issuer.

6.5 Reporting Market-on-Close Orders

- (1) A Participant that has received a Market-on-Close Order for a listed security and a Non-Dealer Subscriber that intends to enter on a marketplace a Market-on-Close Order for a listed security shall report the Market-on-Close Order to the Market Regulator in such form and manner as may be required by Market Regulator if:
 - (a) the order is to be executed on a marketplace during the Regular Session of the Exchange on which the security is listed; or
 - (b) the Participant may undertake hedging activity on a marketplace in connection with the order during the 5 minutes prior to the close of the Regular Session of the Exchange on which the security is listed.
- (2) For the purposes of subsection (1), if the number of units of a listed security to be purchased or sold under an order is not known or cannot be determined at the time the report is required, the Participant or Non-Dealer Subscriber shall make a reasonable estimate.
- (3) For the purposes of subsection (1), the Participant or Non-Dealer Subscriber shall report to the Market Regulator:
 - (a) not earlier than 45 minutes and not later than 30 minutes prior to close of the Regular Session, the aggregate volume of Market-on-Close Orders to purchase and the aggregate volume of Market-on-Close Orders to sell in respect of each listed

security then received by a Participant or intended to be entered by a Non-Dealer Subscriber;

- (b) as soon as practicable, any change in the volume of Market-on-Close Orders for a particular security from that volume provided in the report made under clause (a) including any Market-on-Close Order for a listed security that was not included in the report made under clause (a).
- (4) The Market Regulator may provide from time to time by a notice to Participants and Non-Dealer Subscribers that a report of Market-on-Close Order for a listed security is not required if:
- (a) the aggregate volume of Market-on-Close Orders otherwise to be reported for a particular security;
 - (b) the difference between the aggregate volume of Market-on-Close Orders to purchase and sell a particular security; or
 - (c) the change in the volume of Market-on-Close Orders for a particular security from that volume provided in the report under clause 3(a),

is less than a number of units established by the Market Regulator.

- (5) Based on the reports received of Market-on-Close Orders, the Market Regulator may provide, if the Market Regulator is of the opinion that it is in the interest of a fair and orderly market, a public notice of the listed securities for which there may be significant price volatility at or near the close of the Regular Session of the Exchange.

PART 7 – TRADING IN A MARKETPLACE

7.1 Clearing Obligations

- (1) Each Participant and Non-Dealer Subscriber shall:
- (a) at the time of the entry to a marketplace of an order for the purchase or sale of a security other than a derivative instrument:
 - (i) be a participant of Canadian Depository for Securities Limited, or
 - (ii) have entered into an arrangement for the clearing and settlement of trades with a person which is a participant of the Canadian Depository for Securities Limited and such arrangement shall be in a form which is satisfactory to the Canadian Depository for Securities Limited; and

(b) at the time of the entry to a marketplace of an order for the purchase or sale of a derivative instrument:

- (i) be a member of Canadian Derivatives Clearing Corporation, or
- (ii) have entered into an arrangement for the clearing and settlement of trades with a person which is a member of the Canadian Derivatives Clearing Corporation and such arrangement shall be in a form which is satisfactory to the Canadian Derivatives Clearing Corporation.

- (2) A marketplace shall not permit a Participant or Non-Dealer Subscriber to enter an order for the purchase or sale of a security on that marketplace, if the Participant or Non-Dealer Subscriber is not in compliance with the requirements of subsection (1).

7.2 Trading Supervision Obligations

- (1) Each Participant shall adopt written policies and procedures to be followed by directors, officers, partners and employees of the Participant that are adequate, taking into account the business and affairs of the Participant, to ensure compliance with these Rules and each Policy.
- (2) Prior to the entry of an order on a marketplace by a Participant, the Participant shall comply with:
- (a) applicable regulatory standards with respect to the review and approval of orders;
 - (b) the policies and procedures adopted in accordance with subsection (1);
 - (c) all requirements of these Rules and each Policy.
- (3) Each Participant shall appoint a head of trading who shall be responsible to supervise the trading activities of the Participant in a marketplace.
- (4) The head of trading together with each person who has authority or supervision over or responsibility to the Participant for an employee of the Participant shall fully and properly supervise such employee as necessary to ensure the compliance of the employee with these Rules and each Policy.

7.3 Proficiency Obligations

- (1) No order to purchase or sell a security shall be entered by a Participant on a marketplace unless the Participant or the director, officer, partner or employee of the Participant entering the order or responsible for the order has:
- (a) completed the Trader Training Course of the Canadian Securities Institute;

- (b) received approval of an Exchange for the entry of orders to the trading system of the Exchange; or
 - (c) completed such course, examination or other means of demonstrating proficiency in these Rules and Policies as may be acceptable to the Market Regulator of the marketplace on which the order is entered or the applicable securities regulatory authority.
- (2) An ATS shall ensure that each Non-Dealer Subscriber of the ATS is trained in these Rules and Policies.
 - (3) The Market Regulator of the ATS shall approve the training materials that an ATS proposes to use for the purposes of subsection (2).

7.4 Liability for Bids, Offers and Trades

- (1) All bids and offers for securities made and accepted on a marketplace shall be binding and all contracts thereby effected shall be subject to the exercise by the marketplace on which the trade is executed of the powers vested in the marketplace and the Market Regulator of that marketplace.
- (2) A Participant shall be responsible for all bids and offers that are entered into, or arise by operation of the trading system of a marketplace and that originate from any terminal or computer system allowing access to trading on the marketplace that is operated by or is under the control of that Participant whether or not the Participant has authorized the entry of the order.
- (3) Subject to the obligation of a Non-Dealer Subscriber for compliance with these Rules and each Policy, an ATS shall be responsible for all bids and offers that are entered into, or arise by operation of the trading system of the ATS and that originate from any terminal or computer system allowing access to trading on the ATS that is operated by or is under the control of the Non-Dealer Subscriber of that ATS whether or not the Non-Dealer Subscriber has authorized the entry of the order.

7.5 Contract Record and Official Transaction Record

- (1) The electronic record of a trade in a security as provided by a marketplace to an information processor and information vendor in accordance with the Marketplace Operation Instrument is the official transaction record for the purpose of determining:
 - (a) best ask price;
 - (b) best bid price; and
 - (c) last sale price.

- (2) Despite subsection (1), the electronic record of a trade in a security as maintained by the marketplace on which the trade occurred shall be the record of the contract made on that trade and in the event of a dispute between parties to the contract or discrepancy with the records of the clearing agency effect shall be given to the record of the marketplace.
- (3) Each marketplace shall provide to the information processor or information vendor information respecting each cancellation, variation or correction of a trade as soon as practicable after the cancellation, variation or correction has been made to the record of the contract as maintained by the marketplace and the information processor or information vendor shall amend the transaction record accordingly.

7.6 Recorded Prices

- (1) No Participant acting as agent shall execute a transaction through a marketplace in which the price recorded on the marketplace is:
 - (a) in the case of a purchase by a client, higher than the net cost to the client; or
 - (b) in the case of a sale by a client, lower than the net proceeds to the client.
- (2) No Participant acting as principal shall execute a transaction through a marketplace in which the price recorded on the marketplace is:
 - (a) in the case of a sale to a client, lower than the net cost to the client by more than the usual agency commission that would be charged by that Participant to that client for an order of the same size; and
 - (b) in the case of a purchase from a client, higher than the net proceeds to the client by more than the usual agency commission that would be charged by that Participant to that client for an order of the same size.

7.7 Cancelled Trades

If a trade is cancelled, a subsequent trade on any marketplace which was:

- (a) executed as a result of the price of the cancelled trade; or
- (b) permitted only as a result of the price of the cancelled trade,

shall stand unless cancelled by the consent of the buyer and the seller or by a Market Integrity Official who is of the opinion that the cancellation of the subsequent trade is appropriate under the circumstances.

7.8 Restrictions on Trading by a Participant Involved in a Distribution

(1) Definitions

In this Rule:

"basket trade" means a simultaneous purchase of at least 20 listed securities or quoted securities, provided that any restricted security comprises not more than 10% of the total value of the transaction.

"distribution" means a distribution of any security pursuant to:

- (a) a prospectus;
- (b) a wide distribution in accordance with Marketplace Rules of the TSE; or
- (c) an offering of special warrants.

"distributed security" means the listed security or quoted security of the class that is the subject of the distribution.

"equity security" means any security of an issuer that carries a residual right to participate in the earnings of the issuer and, upon liquidation or winding up of the issuer, in its assets;

"exempt security" means a listed security or quoted security that:

- (a) has traded in total on one or more marketplaces as reported on a consolidated data feed during a 60-day period ending not earlier than 30 days prior to the commencement of the restricted period:
 - (i) an average of at least 100 times per trading day, and
 - (ii) with an average trading value of \$1,000,000 per trading day; or
- (b) is an Index Participation Unit in accordance with the Marketplace Rules of the TSE.

"independent bid" means an order, other than a Special Terms Order, to buy entered on a marketplace by or on behalf of a person who is not involved in the distribution.

"independent trade" means a trade on a marketplace of at least one standard trading unit made by or on behalf of a person who is not involved in the distribution.

"maximum permitted stabilization price" means:

- (a) for the distributed security:

- (i) the price at which the distributed security will be issued, if that price has been determined, and

- (ii) the price of the last independent trade, if the price at which the distributed security will be issued has not been determined; and

- (b) for a related security, the highest price of an independent bid for that security at the commencement of the restricted period.

"related security" means, in respect of a distributed security:

- (a) a listed security or quoted security into which the distributed security is immediately convertible, exchangeable or exercisable unless the price at which the security is convertible, exchangeable or exercisable is greater than 110% of the best ask price of the listed security at the commencement of the restricted period;
- (b) a listed security or quoted security that, according to the terms of the distributed security, may significantly determine the value of the distributed security;
- (c) if the distributed security is a special warrant, a listed security which would be issued on the exercise of the special warrant; and
- (d) if the distributed security is an equity security, any other equity security of the issuer that is a listed security or quoted security.

"restricted period" means the period:

- (a) commencing on the earlier of the date:
 - (i) the Participant enters into an underwriting agreement in respect of the distribution of the distributed securities, and
 - (ii) two trading days prior to the day:
 - (A) the receipt is issued for the final prospectus for the distribution of the distributed securities in the case of a distribution pursuant to a prospectus,
 - (B) the TSE consents to the distribution in the case of a wide distribution pursuant to the Marketplace Rules of the TSE, and
 - (C) the offering price of the special warrant is determined in the case of a distribution of special warrants; and

- (b) ending on the earlier of the date:

- (i) the Participant has sold all of the distributed securities allotted to the Participant, including all restricted securities acquired by the Participant in connection with the distribution, and all stabilization arrangements to which the Participant is a party terminate, and
- (ii) the distribution terminates pursuant to applicable securities law or the Marketplace Rules of the TSE.

"restricted security" means:

- (a) the distributed security; and
- (b) any related security

but does not include an exempt security or a related security of an exempt security.

"underwriter" means a Participant involved in a distribution but does not include a Participant which has agreed to sell part of the distribution but is not obligated to purchase any of the distributed securities.

(2) Prohibited Trading

Except as permitted, an underwriter shall not at any time during the restricted period:

- (a) bid for or purchase for its own account a restricted security on a marketplace; or
- (b) solicit purchase orders from clients for a restricted security.

(3) Restricted Trading

Despite subsection (2), an underwriter involved in a distribution, other than a distribution pursuant to an at-the-market offering as permitted by National Instrument 44-101 or any successor instrument, may, at any time during the restricted period, bid for or purchase a restricted security at a price which does not exceed the maximum permitted stabilization price provided such price also does not exceed:

- (a) if the underwriter has either a long position or no position in the restricted security, the highest independent bid then entered on a marketplace;
- (b) if the underwriter enters the bid prior to the commencement of trading on a trading day, the last sale price of the restricted security on the previous trading day; and
- (c) if the restricted security has not previously traded on a marketplace, the price of the last independent trade of the security on another stock exchange or organized over-the-counter market.

(4) Exemptions

Subsections (2) and (3) do not apply to:

- (a) an order which, if executed, would be:
 - (i) a basket trade, or
 - (ii) a program trade in accordance with the Marketplace Rules of the TSE;
- (b) a Must-Be-Filled Order in accordance with the Marketplace Rules of the TSE; and
- (c) an order entered solely for the purpose of rebalancing a portfolio, the composition of which is based on an Index as defined in accordance with the Marketplace Rules of the TSE, to reflect an adjustment made in the composition of the Index.

(5) Deemed Commencement of a Restricted Period

If an underwriter receives a notice or notices of the exercise of statutory rights of withdrawal or rights of rescission from purchasers of, in the aggregate, not less than 5% of the distributed securities allotted to or acquired by the underwriter in connection with the distribution then a restricted period shall be deemed to have commenced upon receipt of such notice or notices.

(6) Transactions by the Responsible Registered Trader

A Responsible Registered Trader in accordance with the Marketplace Rules of the TSE who is employed by an underwriter may, for their registered trading account:

- (a) with the prior approval of a Market Integrity Official, enter a bid to move the calculated opening price of a restricted security to a more reasonable level;
- (b) purchase a restricted security pursuant to the responsibility of the Responsible Registered Trader to provide a MGF for a sell order but not including a purchase pursuant to the right of the Responsible Registered Trader to participate in trades with MGF-eligible orders; and
- (c) bid for or purchase a restricted security:
 - (i) that is traded on another market for the purpose of matching a higher-priced bid posted on such market,
 - (ii) that is convertible, exchangeable or exercisable into another listed security for the purpose of maintaining an appropriate conversion, exchange or exercise ratio, and

- (iii) to cover a short position resulting from sales made under the market making obligations of the Responsible Registered Trader.

(7) Transactions by the Options Specialist

An options specialist in accordance with the Marketplace Rules of the BDM who employed by an underwriter may, for their specialist account, bid for or purchase a restricted security if:

- (a) the restricted security is the underlying security of the option for which the person is the specialist;
- (b) there is not otherwise a suitable derivative hedge available; and
- (c) such bid or purchase is:
 - (i) for the purpose of hedging a pre-existing options position,
 - (ii) reasonably contemporaneous with the trade in the option, and

consistent with normal market-making practice.

7.9 Restrictions on Trading During a Securities Exchange Take-over Bid

- (1) A restricted person shall not bid for nor purchase the offered security at any time from the first public announcement of a securities exchange take-over bid until the termination of the period during which securities may be deposited under such bid, including any extension thereof, or the bid is withdrawn.
- (2) Despite subsection (1), a restricted person may bid for or purchase the offered security as agent for an unsolicited client order provided the client is not:
 - (a) the offeror;
 - (b) an insider of the offeror; or
 - (c) an associate or affiliated entity of the offeror.

7.10 Trading in Listed or Quoted Securities by Market Makers and Specialists

A Participant who performs the function ordinarily associated with a market maker, specialist or restricted permit holder on the BDM shall comply when trading on any marketplace with such additional requirements as may be required by:

- (a) an Exchange when trading on that Exchange in listed securities; and
- (b) a QTRS when trading on that QTRS in quoted securities.

PART 8 – PRINCIPAL TRADING

8.1 Client-Principal Trading

- (1) A Participant that receives a client order for 50 standard trading units or less of a security with a value of \$100,000 or less may execute the client order against a principal order or non-client order at a better price provided the Participant has taken reasonable steps to ensure that the price is the best available price for the client taking into account the condition of the market at that time.
- (2) Subsection (1) does not apply if the client order is:
 - (a) a Call Market Order;
 - (b) an Opening Order;
 - (c) a Market-on-Close Order; or
 - (d) a Volume-Weighted Average Price Order.

PART 9 – TRADING HALTS, DELAYS AND SUSPENSIONS

9.1 Trading Halts, Delays and Suspensions

- (1) No order for the purchase or sale of a security shall be entered on a marketplace or executed on a marketplace or over-the-counter, at any time while:
 - (a) an order of a securities regulatory authority to cease trading in the security remains in effect;
 - (b) in the case of a listed security, the Market Regulator of the Exchange on which the security is listed has delayed, halted or suspended trading in the security while such delay, halt or suspension remains in effect;
 - (c) in the case of a quoted security, the Market Regulator of the QTRS has delayed, halted or suspended trading in the security while such delay, halt or suspension remains in effect; and
 - (d) in the case of any security other than a listed security or a quoted security, a Market Regulator of an ATS on which such security may trade has halted trading for the purposes of the public dissemination of material information respecting such security or the issuer of such security.
- (2) Despite subsection (1), an order may trade on a marketplace, if the Exchange or QTRS has:
 - (a) suspended trading in the security by reason only that the issuer of the security has:

- (i) ceased to meet minimum listing or quotation requirements established by Marketplace Rules, or
 - (ii) failed to pay to the Exchange or QTRS any fees in respect of the listing or quotation of securities of the issuer; or
- (b) delayed or halted trading in the security as a result of:
- (i) technical problems affecting only the trading system of the Exchange or QTRS, or
 - (ii) the application of a Marketplace Rule.
- (3) If trading in a security has been prohibited on a marketplace in accordance with clauses (1)(b), (c) or (d), a Participant may execute a trade in the security, if permitted by applicable securities legislation, outside of Canada on an exchange or organized regulated market that publicly disseminates details of trades in that market.

PART 10 – COMPLIANCE

10.1 Compliance Requirement

- (1) Each Participant and Non-Dealer Subscriber shall comply with the Requirements.
- (2) For the purposes of subsection (1), a Participant or Non-Dealer Subscriber shall, with respect to a particular order, comply with the Marketplace Rules of:
 - (a) the marketplace on which the particular order is entered; and
 - (b) the marketplace on which the particular order is executed.

10.2 Investigations

- (1) In connection with compliance with the Requirements, the Market Regulator may, at any time, whether or not on the basis of a complaint or other communication in the nature of a complaint, investigate the conduct of:
 - (a) any marketplace for which the Market Regulator is the regulation service provider or was the regulation service provider at the time of the conduct;
 - (b) any Participant or Non-Dealer Subscriber of a marketplace for which the Market Regulator is the regulation service provider or was the regulation service provider at the time of the conduct;
 - (c) any person to whom responsibility for compliance with the Rules by other persons are extended in accordance with Rule 10.3

or to whom responsibility had been extended at the time of the conduct; and

- (d) any person to whom the application of the Rules are extended in accordance with Rule 10.4 or to whom the Rules had been extended at the time of the conduct.

- (2) Upon the request of the Market Regulator, any person described in subsection (1) shall forthwith:

- (a) provide any information or records in the possession or control of the person that the Market Regulator determines may be relevant to a matter under investigation and such information or records shall be provided in such manner and form, including electronically, as may be required by the Market Regulator;

- (b) allow the inspection of, and permit copies to be taken of, any information or records in the possession or control of the person that the Market Regulator determines may be relevant to a matter under investigation; and

- (c) provide a statement, under oath or otherwise, at a time and place specified by the Market Regulator on such issues as the Market Regulator determines may be relevant to a matter under investigation provided that in the case of a person other than an individual, the statement shall be made by an appropriate officer, director, partner or employee or other individual associated with the person as is acceptable to the Market Regulator.

10.3 Extension of Responsibility

- (1) A Participant or Non-Dealer Subscriber may be found liable by the Market Regulator for the conduct of any director, officer, partner, employee or individual holding a similar position with the Participant or Non-Dealer Subscriber and be subject to any penalty or remedy as if the Participant or Non-Dealer Subscriber had engaged in that conduct.
- (2) Any partner or director of a Participant or Non-Dealer Subscriber may be found liable by the Market Regulator for the conduct of the Participant or Non-Dealer Subscriber and be subject to any penalty or remedy as if such person had engaged in that conduct.
- (3) Any officer or employee of a Participant or Non-Dealer Subscriber who has authority over, supervises or is responsible for an employee may be found liable by the Market Regulator for the conduct of the supervised employee and be subject to any penalty or remedy as if such person had engaged in that conduct.

- (4) The imposition of any penalty or remedy against any person who engaged in conduct that contravened a Requirement or against any person to whom responsibility for the conduct has been extended by this section does not prevent or limit in any manner the imposition by the Market Regulator of any penalty or remedy against any other person who engaged in the conduct or to whom responsibility for the conduct has been extended by this section.

10.4 Extension of Restrictions

- (1) A related entity of a Participant and a director, officer, partner or employee of the Participant or a related entity of the Participant shall:
 - (a) comply with the provisions of these Rules and any Policies with respect to just and equitable principles of trade, manipulative and deceptive method of trading, short sales and frontrunning as if references to "Participant" in Rules 2.1, 2.2, 3.1 and 4.1 included reference to such person; and
 - (b) in respect of the failure to comply with the Rules and Policies referred to in clause (a), be subject to the practice and procedures and to penalties and remedies set out in this Part.
- (2) A related entity of a Non-Dealer Subscriber and a director, officer, partner or employee of the Non-Dealer Subscriber or a related entity of the Non-Dealer Subscriber shall in respect of trading on a marketplace on behalf of the Non-Dealer Subscriber or related entity of the Non-Dealer Subscriber:
 - (a) comply with the provisions of these rules and any Policies with respect to just and equitable principles of trade, manipulative and deceptive method of trading and short sales as if references to "Non-Dealer Subscriber" in Rules 2.1, 2.2 and 3.1 included reference to such person; and
 - (b) in respect of the failure to comply with the Rules and Policies referred to in clause (a), be subject to the practice and procedures and to the penalties and remedies set out in this Part.
- (3) If, in the opinion of a Market Regulator, a particular person to whom these Rules apply, including any particular person to whom these Rules have been extended in accordance with subsection (1) and (2), has organized their business and affairs for the purpose of avoiding the application of any provision of these Rules, the Market Regulator may designate any person involved in such business and affairs as a person acting in conjunction with the particular person.

- (4) Upon a Market Regulator making a designation in accordance with subsection (3), the Market Regulator shall provide notice of such designation to:

- (a) the particular person;
- (b) the designated person;
- (c) each Market Regulator; and
- (d) each applicable securities regulatory authority.

10.5 Powers and Remedies

- (1) The Market Regulator may, following a hearing and a determination that a person described in subsection (1) of Rule 10.2 has contravened a Requirement or is liable for the contravention of a Requirement in accordance with Rule 10.3, by an order impose on such person one or more of the following penalties or remedies as the Market Regulator considers appropriate in the circumstances:
 - (a) a reprimand;
 - (b) a fine not to exceed the greater of:
 - (i) \$1,000,000, and
 - (ii) an amount equal to triple the financial benefit which accrued to the person as a result of committing the contravention;
 - (c) the restriction of access to the marketplace for such period and upon such terms and conditions, if any, considered appropriate;
 - (d) the suspension of access to the marketplace for such period and upon such terms and conditions, if any, considered appropriate; and
 - (e) the revocation of access to the marketplace.
- (2) If the Market Regulator has determined that a person described in subsection (1) of Rule 10.2 has engaged in, or may engage in, any course of conduct detrimental to the public interest, the Market Regulator may, if the Market Regulator considers it is necessary for the protection of the public interest by an interim order without notice or hearing, order the restriction or suspension of access to the marketplace upon such terms and conditions, if any, considered appropriate provided such interim order shall expire 15 days after the date on which the interim order is made unless:
 - (a) a hearing is commenced within that period of time to confirm or set aside the interim order;

- (b) the person against which the interim order is made consents to an extension of the interim order until a hearing of the matter is held; or
 - (c) an applicable securities regulatory authority directs that the interim order be rescinded or extended.
- (3) For the purposes of this section, the restriction, suspension or revocation of access of a person to a marketplace may be imposed directly on the person and, if the person is an individual, in their capacity as a director, officer, partner, employee or associate of a person with access to a marketplace.
- (4) For greater certainty, any enforcement or disciplinary proceeding or any order or interim order as against a person by a Market Regulator for contravention of a Requirement shall not affect or limit any enforcement or disciplinary action as against the person by any securities regulatory authority, self-regulatory entity or other Market Regulator with jurisdiction over the person.
- (5) If a Market Regulator restricts, suspends or revokes the access of any person to a marketplace in accordance with this section, such person shall be denied access to any other marketplace and shall have any access to any other marketplace automatically restricted, suspended or revoked unless the applicable securities regulatory authority otherwise determines in a review of the decision of the Market Regulator undertaken in accordance with Rule 11.3.
- (6) If a Market Regulator restricts, suspends or revokes the access of any person to a marketplace, the Market Regulator shall provide notice forthwith of such suspension or revocation to:
- (a) the person whose access has been restricted, suspended or revoked;
 - (b) each marketplace;
 - (c) each Market Regulator; and
 - (d) each applicable securities regulatory authority.
- (a) is an officer, partner, director, employee or an associate of any person that is a subject of the hearing, order or interim order;
- (b) has such other relationship to the person or matter as may be reasonably considered to give rise to a potential conflict of interest.
- (3) Subject to any limitations, restrictions, conditions and requirements that the Board may impose or which may be imposed by applicable securities legislation or any recognition order or registration in respect of the particular marketplace for which the Market Regulator is the regulation service provider, any determination, order or interim order made by a Hearing Panel may be appealed to the Board by a party to the hearing.
- (4) The Board may delegate the power of the Board to hear an appeal to a committee of the Board comprised of not less than three members of the Board.
- (5) On an appeal, the Board may:
- (a) confirm, reject or vary any determination, order, interim order made by a Hearing Panel; and
 - (b) assess costs of the appeal to any party to the appeal based on the expenses set out in subsection (1) of Rule 10.7.
- (6) If the powers of the Board have been delegated to a committee of the Board in accordance with subsection (3), the committee shall report to the Board at the next meeting of the Board with respect to any exercise of such powers by the committee.
- (7) A member of the Board shall not participate in the consideration of an appeal by the Board or any committee of the Board with respect to any matter if the member:
- (a) is an officer, partner, director, employee or an associate of any person that is a subject of the hearing, order or interim order;
 - (b) has such other relationship to the person or matter as may be reasonably considered to give rise to a potential conflict of interest.

10.6 Exercise of Authority

- (1) A Hearing Panel shall make any determination, hold any hearing and make any order or interim order required or permitted of a Market Regulator under this Part.
- (2) A member of the Hearing Committee shall not be a member of any Hearing Panel with respect to any matter if the member:

10.7 Assessment of Expenses

- (1) Any order made under this Part may assess the person against whom the order is made any one or more of the following expenses incurred by the Market Regulator as a result of the investigation and the proceedings resulting in the order:
 - (a) recording or transcription fees;
 - (b) expenses of preparing transcripts;

- (c) witness fees and reasonable expenses of witnesses;
- (d) professional fees for services rendered by expert witnesses, legal counsel or accountants retained by the Market Regulator;
- (e) expenses of staff time incurred by the Market Regulator;
- (f) travel costs;
- (g) disbursements; or
- (h) any other expenses determined to be appropriate under the circumstances.

- (2) Where the Market Regulator conducts an investigation of a complaint or other communication in the nature of a complaint that was made by a person described in subsection (1) of Rule 10.2 and the Market Regulator determines that the complaint or other communication in the nature of a complaint was frivolous, the Market Regulator may assess the expenses incurred by the Market Regulator as a result of the investigation against that person.

10.8 Practice and Procedure

The practice and procedure governing hearings and appeals pursuant to this Part shall be made by a Policy.

10.9 Power of Market Integrity Officials

- (1) A Market Integrity Official may, in governing trading in securities on the marketplace:
 - (a) delay, halt or suspend trading in a security at any time and for such period of time as such Market Integrity Official may consider appropriate in the interest of a fair and orderly market;
 - (b) refuse to allow any bid price or ask price to be recorded at any time if, in the opinion of such Market Integrity Official, such quotation is unreasonable or not in compliance with these Rules or any Policy;
 - (c) settle any dispute arising from trading in securities on the marketplace where such authority is not otherwise provided for in any requirement governing trading on the marketplace;
 - (d) disallow or cancel any trade which, in the opinion of such Market Integrity Official, is unreasonable or not in compliance with these Rules or any Policy;
 - (e) vary or cancel any trade upon application of the buyer and seller provided such

application has been made by the end of trading on the day following the day on which the trade was made or such earlier time as may be established in any Marketplace Rule of the marketplace on which the trade was executed;

- (f) in respect of any trade which has not complied with the requirements of Part 5, correct the price of the trade to a price at which the trade would have complied with such requirement, or
- (g) require the Participant to satisfy the better bid or offer up to the volume of the trade which failed to comply with the requirements of Part 5;
- (h) provide to any person an interpretation of any provision of these Rules and any Policy in accordance with the purpose and intent of provision and shall ensure that any such interpretation is observed by such person;
- (i) exercise such powers as are specifically granted to a Market Regulator or Market Integrity Official by these Rules and any Policy; and
- (j) exercise such powers as are specifically granted to the Market Regulator by the marketplace where the marketplace is entitled to grant such powers.

- (2) In determining whether any quotation or trade in a security is unreasonable, the Market Regulator shall consider:
 - (a) prevailing market conditions;
 - (b) the last sale price of the security as displayed in a consolidated market display;
 - (c) patterns of trading in the security on the marketplace including volatility, volume and number of transactions;
 - (d) whether material information concerning the security is in the process of being disseminated to the public; and
 - (e) the extent of the interest of the person for whose account the order is entered in changing the price or quotation for the security.

10.10 Report of Short Positions

- (1) A Participant shall calculate, as of 15th day and as of the last day of each calendar month, the aggregate short position of each individual account in respect of each listed security and quoted security.

- (2) Unless a Participant maintains the account in which a Non-Dealer Subscriber has the short position in respect of a listed security or quoted security, the Non-Dealer Subscriber shall calculate, as of the 15th day and as of the last day of each calendar month, the aggregate short position of the Non-Dealer Subscriber in respect of each listed security and quoted security.
- (3) Unless otherwise provided, each Participant and Non-Dealer Subscriber shall file a report of the calculation with RS Inc. in such form as may be required by RS Inc. not later than two trading days following the date on which the calculation is to be made.

10.11 Audit Trail Requirements

- (1) Recording Requirements for Receipt or Origination of an Order – Immediately following the receipt or origination of an order, a Participant shall record:
 - (a) the order identifier;
 - (b) the trading symbol of the security;
 - (c) the number of units of the security to which the order applies;
 - (d) the strike date and strike price, if the security is a derivative instrument;
 - (e) whether the order is a buy or sell order;
 - (f) all order designations required by clause (b) of subsection (1) of Rule 6.2;
 - (g) whether the order is a market order, limit order or other type of order, and if the order is other than a market order, the price at which the order is to trade;
 - (h) the date and time the order is originated or received by the Participant;
 - (i) the client account number or client identifier or, in the case of a jitney order, the identifier of the Participant placing the order;
 - (j) the identifier of any investment adviser or registered representative receiving the order;
 - (k) the date and time that the order expires;
 - (l) any client instructions or consents respecting the handling or trading of the order, if applicable;
 - (m) any information respecting the special terms attaching to the order required by subsection (2) of Rule 6.2, if applicable; and
 - (n) the currency of the order.

- (2) Recording Requirements for Entry of an Order – Immediately following the entry of an order to trade on a marketplace, a Participant shall add to the record maintained in accordance with subsection (1):
 - (a) the identifier of the Participant through which any trade would be cleared and settled;
 - (b) the identifier assigned to the Participant entering the order;
 - (c) the identifier assigned to the marketplace on which the order is entered; and
 - (d) the date and time the order is entered.
- (3) Recording Requirements for Variation, Correction or Cancellation of an Order – Immediately following the modification or cancellation of an order, a Participant shall add to the record maintained in accordance with subsection (1):
 - (a) the date and time the variation, correction or cancellation was originated or received;
 - (b) whether the order was varied, corrected or cancelled on the instructions of the client;
 - (c) in the case of variation or correction, the information required by subsection (1) which has been changed; and
 - (d) the date and time the variation, correction or cancellation of the order is entered.
- (4) Recording Requirements for Execution of an Order – Immediately following the execution in whole or in part of an order, a Participant shall add to the record maintained in accordance with subsection (1):
 - (a) the marketplace where the order was executed or the identifier of the Participant executing the order if the order has not been executed on a marketplace;
 - (b) the date and time of the execution of the order;
 - (c) whether the Participant has executed the order as principal;
 - (d) if the order has been partially executed, the number of units of the security bought or sold if shares or contracts;
 - (e) the price at which the order was executed; and
 - (f) in the case of a client order, the commission charged.

(5) **Additional Recording Requirements under Trading Rules** – In addition to any information required to be recorded under subsections (1) to (4), a Participant shall add to the record any information as may be required in accordance with the Trading Rules.

(6) **Transmittal of Order Information to a Marketplace** - The Participant shall transmit the record of the order required to be maintained by the Participant by this section to:

- (a) the Market Regulator for the marketplace on which the trade was executed; or
- (b) if the order was not executed on a marketplace,
 - (i) a Market Regulator if the security is not listed on an Exchange or traded on a QTRS, and
 - (ii) the Market Regulator for the Exchange or the QTRS on which the security is listed or quoted,

at the time and in such manner and form as may be required by the Market Regulator.

(7) **Provision of Additional Information** – In addition to any information provided by a Participant to a Market Regulator in accordance with subsection (6), the Participant shall provide to the Market Regulator forthwith upon request in such form and manner as may be reasonably required by the Market Regulator:

- (a) any additional information respecting the order or trade reasonably requested; and
- (b) information respecting any prior or subsequent order or trade in the security or a related security undertaken by the Participant whether or not such order was entered or executed on the marketplace of the Market Regulator.

(8) **Provision of Information by a Non-Dealer Subscriber** – Where an order has been entered on a marketplace by a Non-Dealer Subscriber, the Non-Dealer Subscriber shall provide to the Market Regulator of the marketplace on which the order was entered or the Market Regulator of the marketplace on which the order was executed forthwith upon request in such form and manner as may be reasonably required by the Market Regulator:

- (a) any information respecting the order or trade reasonably requested; and
- (b) information respecting any prior or subsequent order or trade in the security or a related security undertaken by the Non-Dealer Subscriber whether or not such order was entered or executed on the

marketplace of the Market Regulator making the request.

10.12 Retention and Inspection of Records and Instructions

(1) A Participant shall retain:

- (a) the record of each order as required by Rule 10.11; and
- (b) sufficient information to identify the beneficial owner of each account for which a record of an order is retained,

for a period of not less than seven years from the creation of the record of the order, and for the first two years, such record and information shall be kept in a readily accessible location.

(2) A Participant shall allow the Market Regulator of the marketplace:

- (a) of which the Participant is a member, user or subscriber;
- (b) on which the Participant entered the order; or
- (c) on which the order of the Participant was executed,

to inspect and make copies of the record of an order, any record related to the order required to be maintained by the Participant in accordance with applicable securities legislation or the requirements of any self-regulatory organization of which the Participant is a member and information on the beneficial owner of the account at any time during ordinary business hours during the period that such record and information is required to be retained by the Participant.

(3) A Non-Dealer Subscriber shall allow the Market Regulator of the marketplace:

- (a) of which the Non-Dealer Subscriber is a subscriber; or
- (b) on which the order of the Non-Dealer Subscriber was executed,

to inspect and make copies of any information respecting an order at any time during ordinary business hours during the period of not less than seven years from the date of the origination of the order, and for the first two years, such information shall be kept in a readily accessible location.

10.13 Exchange and Provision of Information by Market Regulators

Each Market Regulator shall provide information and other forms of assistance for market surveillance, investigative, enforcement and other regulatory purposes including the administration and enforcement of these Rules to:

- (a) a self-regulatory entity;
- (b) a self-regulatory organization in a foreign jurisdiction;
- (c) a securities regulatory authority;
- (d) a securities regulatory authority in a foreign jurisdiction; and
- (e) another Market Regulator.

10.14 Synchronization of Clocks

Each marketplace and each Participant shall synchronize the clocks used for recording the time and date of any event that must be recorded pursuant to these Rules to the clock used by the Market Regulator for this purpose.

10.15 Assignment of Identifiers and Symbols

- (1) Each Participant and marketplace shall be assigned a unique identifier for trading purposes.
- (2) Unless otherwise provided, the TSE shall assign each identifier for the purposes of subsection (1) after consultation with BDM and CDNX.
- (3) Each security that trades on a marketplace shall be assigned a unique symbol for trading purposes.
- (4) Unless otherwise provided, the TSE shall assign each symbol for the purposes of subsection (3) after consultation with BDM and CDNX.

PART 11 – ADMINISTRATION OF RULES

11.1 General Exemptive Relief

A Market Regulator may exempt any particular person or particular transaction from the application of a Rule, if in the opinion of the Market Regulator, the provision of such exemption:

- (a) would not be contrary to the provisions of any applicable securities legislation and the regulation and rules thereunder;
- (b) would not be prejudicial to the public interest or to the maintenance of a fair and orderly market; and

- (c) is warranted after due consideration of the circumstances of the particular person or transaction.

11.2 General Prescriptive Power

- (1) A Market Regulator may, from time to time, make or amend a Policy.
- (2) A Policy or an amendment to a Policy shall not become effective without the approval of the applicable securities regulatory authority.

11.3 Review of Market Regulator Decisions

Any person directly affected by any direction, order or decision of a Market Regulator or Market Integrity Official made in connection with the administration and enforcement of these Rules and any Policy may apply to the applicable securities regulatory authority for a hearing and review of such direction, order or decision in accordance with the procedure for a hearing and review as established from time to time by the securities regulatory authority.

11.4 Method of Giving Notice

- (1) Unless otherwise specifically provided in any Requirement, notice to any person shall be sufficiently given if:
 - (a) delivered personally to the person to whom it is to be given;
 - (b) delivered or mailed by pre-aid ordinary mail to the last address of such person as recorded by the Market Regulator or any securities regulatory authority or recognized self-regulatory organization;
 - (c) provided by telephone transmission or any other form of transmitted or recorded communication or in any other manner which may, in all the circumstances, could be reasonably expected to come to the attention of such person.
- (2) The Market Regulator may change the address of any person on the records of the Market Regulator in accordance with any information believed by the Market Regulator to be reliable.
- (3) A notice delivered in accordance with this section shall be deemed to have been given when the notice is delivered personally or at the address aforesaid; a notice so 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 wire or wireless or any other form of transmitted or recorded communication shall be deemed to have been given when delivered to the appropriate communication company or agency or its representatives for dispatch.

11.5 Computation of Time

- (1) In computing the time when a notice must be given or for the doing of anything or taking any proceeding under any provision of a Requirement requiring that a notice be given a specified number of days prior to any meeting, hearing, action or proceeding or that any action be done or proceeding taken within a specified number of days after some event, the date of giving of the notice or of such event shall be excluded and the date of the meeting, hearing, doing of the act or taking of the proceedings shall be included.
- (2) Where the time limited for a proceeding or the doing of anything under any provision of a Requirement expires or falls upon a day that is not a trading day, the time so limited extends to and the thing may be done on the next day following that is a trading day.

11.6 Waiver of Notice

Any person may waive any notice that is required to be given to such person and such waiver, whether given before or after the meeting, hearing or other event of which notice is required to be given, shall cure any default in giving such notice.

11.7 Omissions or Errors in Giving Notice

The accidental omission to give any notice to any person or the failure of a person to receive any notice or an error in any notice not affecting the substance of the notice does not invalidate any action founded or taken on the basis of such notice.

11.8 Transitional Provisions

- (1) Subject to subsection (2), any provision of any rule, policy, ruling, decision or direction of a marketplace in effect immediately prior to the coming into effect of these Rules shall remain in full force and effect until such provision, rule, policy, ruling, decision or direction has been repealed.
- (2) In the event of a conflict between these Rules and the provisions of any rule, policy, ruling, decision or direction of a marketplace that remains in effect after these Rules come into effect, the provisions of these Rules shall prevail.
- (3) Where a marketplace has retained a Market Regulator to be the regulation service provider for that marketplace in accordance with the Trading Rules, any disciplinary proceedings commenced:
 - (a) prior to the date the marketplace retained the Market Regulator shall be continued by the marketplace in accordance with the rules, policies, rulings, decisions or directions of the marketplace in effect and

applicable to such disciplinary proceedings; and

- (b) on or after the date the marketplace retained the Market Regulator in respect of the breach or failure to comply with any rule, policy, ruling, decision or direction of the marketplace shall be undertaken in accordance with Part 10 and be subject to the imposition of any penalty or remedy under Rule 10.5 as if the breach or failure to comply had been a breach or failure to comply with a Marketplace Rule after the date the marketplace retained the Market Regulator to be the regulation service provider.

10.9 Non-Application of Rules

These Rules do not apply to:

- (a) any order entered and executed on a marketplace provided the order has been entered and executed in compliance with the Marketplace Rules of that marketplace as adopted in accordance with Part 7 of the Trading Rules; and
- (b) any order entered and executed on a marketplace or otherwise provided the order has been entered and executed in compliance with the rules of an applicable regulation service provider as adopted in accordance with Part 8, 9 or 10 of the Trading Rules.

Universal Market Integrity Rules for Canadian Marketplaces

APPENDIX C

TEXT OF POLICIES UNDER THE UNIVERSAL MARKET INTEGRITY RULES

POLICY 2.1 – JUST AND EQUITABLE PRINCIPLES

Part 1 – Examples of Unacceptable Activity

Rule 2.1 provides that a Participant and Non-Dealer shall transact business openly and fairly and in accordance with just and equitable principles of trade when trading on a marketplace or trading or otherwise dealing in securities that are eligible to be traded on a marketplace. As such, the Rule operates as a general anti-avoidance provision.

Participants and Non-Dealer Subscribers who intentionally organize their business and affairs with the intent or for the purpose of avoiding the application of a Requirement may be considered to have engaged in behaviour that is contrary to the just and equitable principles of trade. For example, the Market Regulator considers that a person who is under an obligation to enter orders on a marketplace who "uses" another person to make a trade off of a marketplace (in circumstances where an "off-market exemption" is not available) to be violating just and equitable principles of trade.

Certain patterns of activity that can be undertaken that affect the marketplace but do not reach the level of manipulative and deceptive trading practices are nonetheless unavailable to Participant and Non-Dealer Subscribers. For example, Rule 4.1 dealing with frontrunning is specifically tied to misuse of information when a Participant knows a client order will be entered. Somewhere between the Participant who acts on certain knowledge of a client order and the Participant who acts despite a single, uncertain expression of interest are the Participants that repeatedly take advantage of expressions of interest in particular securities. Such Participants are not conducting business openly and fairly and in accordance with just and equitable principles of trade. The "just and equitable principles" clause prevents such unfair activity.

Without limiting the generality of the Rule, the following are examples of activities by a Participant that would be considered to be in violation of just and equitable principles of trade:

- (a) without the specific consent of the client, entering client and principal orders in such a manner as to attempt to obtain execution of a principal order in priority to the client order (See Part 2 of Policy 5.3 – Client Priority for examples of the prohibition on "intentional trading ahead")
- (b) without the specific consent of the client, to vary the instructions of the client to indicate that securities held by the client are to participate in a dividend reinvestment plan such that the Participant would

receive securities of the issuer and would account to the client for the dividend in cash;

- (c) without the specific consent of the lender of securities, to vary the arrangements in respect of securities borrowed by the Participant to indicate that the borrowed securities are to participate in a dividend reinvestment plan such that the Participant would receive securities of the issuer and would account to the lender for the dividend in cash; and
- (d) when trading a combined board lot/odd lot order for a listed security on an Exchange, entering the odd lot portion of the order prior to executing the board lot portion of the order as such order entry exposes the Registered Trader on the TSE or the Odd Lot Dealer on the CDNX to automatic odd lot trades at unreasonable prices.

Part 2 – Moving Markets to Execute a Trade

A Participant or Non-Dealer Subscriber intending to execute a trade or a cross that will cause, during the course of a single trading day, a change in the price that is above the prevailing offer or below the prevailing bid by an amount greater than \$1 in a security selling below \$20, or greater than \$2 in a security selling at or above \$20, shall obtain the prior approval of the Market Regulator. The Participant shall move the market to the price of the cross or the final trade of a one-sided order (the "clean-up price") in an orderly manner over a time period as directed by the Market Regulator. The length of time required to move the market will depend on the circumstances and the particular security involved. As a guideline, 10 to 15 minutes will be required for each movement of \$1 in price. Particular securities may require a longer period of time.

If the Market Regulator is given notice of a proposed trade or cross under this Policy shortly before the close of trading on marketplaces or the principal market for the security, the Market Regulator may disallow the trade if, in the opinion of the Market Regulator, there is not sufficient time to move the market to the clean-up price in an orderly manner before the close.

POLICY 2.2 – MANIPULATIVE AND DECEPTIVE METHOD OF TRADING

Part 1 – Artificial Pricing

For the purposes of Rule 2.2, a price will be considered artificial if it is not justified by real demand or supply in a stock. Whether or not a particular price or quotation is "artificial" depends on the particular circumstances. A price may be artificial if it is higher or lower than the previous price and the market immediately returns to that previous price following the trade. A quotation may be artificial if it raises or lowers the bid or offering, is the only bid or offering at that price and is removed without trading. However, these factors are only indications and are not on their own evidence that a given price or quotation is artificial. Consideration will also be given to whether any Participant, Non-Dealer Subscriber or account involved in the order has any motivation to establish an artificial price.

Some of the relevant considerations in determining whether an order is proper are:

- (a) the prices of the immediately preceding and succeeding trades;
- (b) the change in price or quotation that would result from carrying the instruction or entering the order;
- (c) the time the order is entered, or any instructions relevant to the time of executing the order;
- (d) the effect that such a change would have on other Participants who are or who have been interested in the stock; and
- (e) whether or not the person entering the order is associated with a promotional group or other group with an interest in effecting an artificial price, either for banking and margin purposes or for purposes of effecting a distribution of the securities of the issuer.

Where the order is coming from a non-principal account, the responsibility for deciding whether or not an order has been entered with the bona fide intention of buying and selling shares or to establish an artificial price or quotation lies with the Participant, and specifically with the person(s) responsible for handling the order. Each case must be judged on its own merits. Orders which are intended to or which affect an artificial price or quotation are more likely to appear at year end of a month, quarter or year or on and the date of the expiry of options on the listed security.

POLICY 3.1 – RESTRICTIONS ON SHORT SELLING

Part 1 – Entry of Short Sales Prior to the Opening

Prior to the opening of a marketplace on a trading day, a short sale may not be entered on that marketplace as a market order and must be entered as a limit order and have a limit price at or above the last sale price of that security as indicated in a consolidated market display (or at or above the previous day's close reduced by the amount of a dividend or distribution if the security will commence ex-trading on the opening).

Part 2 – Short Sale Price When Trading Ex-Distribution

When reducing the price of a previous trade by the amount of a distribution, it is possible that the price of the security will be between the trading increments. (For example, a stock at \$10 with a dividend of \$0.125 would have an ex-dividend price of \$9.875. A short sale order could only be entered at \$9.87 or \$9.88.) Where such a situation occurs, the price of the short sale order should be set no lower than the next highest price. (In the example, the minimum price for the short sale would be \$9.88, being the next highest price at which an order may be entered to the ex-dividend price of \$9.875).

In the case of a distribution of securities (other than a stock split) the value of the distribution is not determined until the security that is distributed has traded. (For example, if shareholders of ABC Co. receive shares of XYZ Co. in a distribution, an initial short sale of ABC on an ex-distribution basis may not be made at a price below the previous trade until XYZ Co. has traded and a value determined).

Once a security has traded on an ex-distribution basis, the regular short sale rule applies and the relevant price is the previous trade.

POLICY 4.1 - FRONTRUNNING

Part 1 – Examples of Frontrunning

Rule 4.1 provides that no Participant shall trade in equities or derivatives to take advantage of information concerning a client order that has not been entered on a market place that reasonably can be expected to change the prices of the equities or the related options or futures contracts. Without limiting the generality of the Rule, the following are examples of transactions covered by the prohibition:

- (a) a transaction in an option, including an option where the underlying interest is an index, when the Participant has knowledge of the unentered client order for the underlying securities;
- (b) a transaction in a future where the underlying interest is an index when the Participant has knowledge of the unentered client order that is a program trade or index option transaction; and
- (c) a transaction in an index option when the Participant has knowledge of the unentered client order that is a program trade or an index futures transaction.

Rule 10.4 extends the prohibition to cover orders entered by a related entity of the Participant or a director, officer, partner or employee of the Participant or a related entity of the Participant.

Part 2 – Specific Knowledge Required

In order to constitute frontrunning contrary to Rule 4.1, the person must have specific knowledge concerning the client order that, on entry, could reasonably be expected to affect the market price of a security. A person with knowledge of such a client order must insure that the client order has been entered on a marketplace before that person can:

- enter a principal order or non-client order for the security or any related security;
- solicit an order for the security or any related security; or
- inform any other person about the client order, other than in the necessary of course of business.

Trading based on non-specific pieces of market information, including rumours, does not constitute frontrunning.

POLICY 5.1 – BEST EXECUTION OF CLIENT ORDERS

"Best execution" refers to a reasonable period of time during which the order is handled, not merely the precise moment in time that it is executed. The price of the principal transaction must also be justified by the condition of the market. Participants should consider such factors as:

- prices and volumes of the last sale and previous trades;
- direction of the market for the security;
- posted size on the bid and offer;
- the size of the spread; and
- liquidity of the security.

For example, if the market is \$10 bid and \$10.50 asked and a client wants to sell 1000 shares, it would be inappropriate for a Participant to do a principal trade at \$10.05 if the security has been trading heavily at \$10.50 and there is strong bidding for the security at \$10 compared to the number of securities being offered at \$10.50. The condition of the market suggests that the client should be able to sell at a better price than \$10.05. Accordingly, the Participant as agent for the client should post an offer at \$10.45 or even \$10.50, depending on the circumstances. The desire of the client to obtain a fill quickly is always a consideration.

Of course, if a client expressly consents to a principal trade a fully informed basis, following the client's instructions will be reasonable.

POLICY 5.2 – BEST PRICE OBLIGATION

Part 1 – Qualification of Obligation

The "best price obligation" imposed by Rule 5.2 is subject to the qualification that a Participant make "reasonable efforts" to ensure that a client order receives the best price. In determining whether a Participant has made "reasonable efforts", the Market Regulator will consider:

- the information available to the Participant from the information processor or information vendor;
- the transactions costs and other costs that would be associated with executing the trade on a marketplace;
- whether the Participant is a member, user or subscriber of the marketplace with the best price;
- whether market outside of Canada have been considered (particularly if the principal market for the security is outside of Canada)
- any specific client instructions regarding the timeliness of the execution of the order.

Part 2 – Trade-Through of Marketplaces

Subject to the qualification of the "best price obligation" as set out in Part 1, Participants may not intentionally trade through a better bid or offer on a marketplace by making a trade at an inferior price (either one-sided or a cross) on a stock exchange or other organized market. This Policy applies even if the client consents to the trade on the other stock exchange or other organized market at the inferior price. Participants may make the trade on that other exchange or organized market if the better bids or offers, as the case may be, on marketplaces are filled first, or coincidentally with the trade on the other stock exchange or organized market. The time or order entry is the time that is relevant for determining whether there is a better price on a marketplace.

This Policy applies to "active orders". An "active order" is an order that may cause a trade-through by executing against an existing bid or offer on another stock exchange or organized market at a price that is inferior to the bid or ask price on a marketplace at the time. This Policy applies to trades for Canadian accounts and Participants' principal (inventory) accounts. The Policy also applies to Participants' principal trades on foreign over-the-counter markets made pursuant to the outside-of-Canada exemption in clause (e) of Rule 6.4. Trades for foreign accounts are not subject to this Policy because they are exempt from Rule 6.4 pursuant to the

"outside-of-Canada" exemption set out in clause (e) of Rule 6.4. For example, an order to sell from a non-Canadian account on the New York Stock Exchange at a price below the bid price on a marketplace may be executed by the Participant.

Part 3 – Foreign Currency Translation

If a trade is to be executed on a foreign market, the Participant shall determine whether there is in fact a better price on a marketplace. The foreign trade price shall be converted to Canadian dollars using the mid-market spot rate or 7-day forward exchange rate in effect at the time of the trade, plus or minus 15 basis points. A better price on a marketplace must be "taken out" if there is more than a marginal difference between the price on the marketplace and the price on the other stock exchange or organized market. The Market Regulator regards a difference of one-half of a tick or less as "marginal" because the difference would be attributable to currency conversion.

POLICY 5.3 – CLIENT PRIORITY

Part 1 – Broker's Legal Obligations

Agency law imposes certain obligations on those who act on behalf of others. Among those obligations is a prohibition on an agent appropriating for itself an opportunity that could go to the principal (client) unless the principal specifically consents.

At common law, the client can consent to the Participant trading ahead or alongside. Such consent must be specific to an order, and not contained in a general consent in a client account agreement. For example, an institutional client may consent to splitting fills with the Participant or may consent to the Participant trading ahead in order to move the market to the agreed-upon price for a block trade (e.g. permitting the Participant as pro to move the market down to the price at which it will buy a block from the client).

Participants have overriding agency responsibilities to their clients and cannot use technical compliance with the rule to establish fulfilment of their obligations if they have not otherwise acted reasonably and diligently to obtain best execution of their client orders. Firms should obtain legal advice that their own order handling procedures comply with their obligations to their clients.

Part 2 – Prohibition on Intentional Trading Ahead

Rule 5.3 provides that a Participant must give priority of the execution to client orders over principal orders and non-client orders that are received, originated or entered on a marketplace after the receipt of the client order for the same security at the same price on the same side of the market on the same settlement terms.

A Participant cannot intentionally obtain execution of a pro order ahead of a client order without the specific consent of the client, unless the trade is at a better price than the client's limit. A Participant can never intentionally trade ahead of a client market or tradeable limit order without the specific consent of the client. Examples of "intentional trades" include, but are not limited to:

- withholding a client order from entry on a marketplace (or removing an order already entered on a marketplace) to permit the entry of a competing pro order ahead of the client order;
- entering a client order in a relatively illiquid market and entering a pro order in a more liquid marketplace where the pro order is likely to obtain faster execution; and
- adding terms to an order (other than on the instructions of the client) so that the order ranks behind pro orders in the regular market at that price.

Part 3 – No Knowledge of Client Order

Rule 5.3 also contains three exceptions that requires that the director, officer, partner, employee or agent of the Participant who enters the principal order or the non-client order be unaware that the client order has not been entered. The three exceptions are:

- if the client specifically instructs the Participant to withhold entry of the order;
- if the client specifically grants discretion to the Participant with respect to the entry of the order; and
- if the Participant withholds the client order from entry in a bona fide attempt to get better execution for the client.

In these circumstances, the Participant must have reasonable procedures in place to ensure that information concerning client orders is not used improperly within the firm. These procedures will vary from firm to firm and no one procedure will work for all firms.

The procedures must address the handling of client orders and must be followed up by after-the-fact monitoring. At a minimum, these procedures, which must be documented, must include:

- Education of all traders in their responsibilities in handling client orders. In particular, traders must be informed that intentionally trading ahead of a client order is prohibited and will result in disciplinary action against the trader.
- Identification of particular areas within the firm where there is a risk of non-compliance. For many firms this would include:
 - the point at which the order is taken (e.g. a branch or institutional desk);
 - the points at which orders are managed (e.g. an OMS trader or retail special handling desk); and
 - areas of the firm that are in proximity to areas where orders are handled.
- After-the-fact reviews of trading must also be conducted. Client complaints must be documented and followed-up. On a monthly basis (at a minimum) the firm must compare execution of a reasonable sample of non-client orders with contemporaneous client orders in the same security on the same side of the market. A Participant will be expected to investigate instances where it appears that a pro may have traded with knowledge of a client order prior to its entry on a marketplace.

Periodically the firm must review its procedures to ensure that they are appropriate to ensure that the firm is meeting both the requirements of Rule 4-501 and its agency obligation to clients.

Part 4 –Client Consent

A Participant does not have to provide priority to a client order if the client specifically consents to the Participant trading along side or ahead of the client. Any request must be specific to that order. A client cannot give a blanket consent to permit the Participant to trade along side or ahead of any future orders the client may give the Participant.

A Participant must keep a record of the client's consent to withhold orders for seven years from the date of the instruction and, for the first two years, the consent must be kept in a readily accessible location.

If the client has given the Participant that is to be executed at various times during a trading day (e.g. an "over-the-day" order) or at various prices (e.g. at various prices in order to approximate a volume-weighted average price), the client is deemed to have consented to the entry of entry of principal and non-client orders that may trade ahead of the balance of the client order. However, if the unentered portion of the client order would reasonably be expected to affect the market price of the security, the Participant may be precluded from entering principal or non-client orders as a result of the application of the frontrunning rule.

POLICY 6.3 – EXPOSURE OF CLIENT ORDERS

Part 1 – Reviewing Small Orders for Market Impact

Rule 6.3 requires a Participant to immediately enter client orders for the purchase or sale of 50 standard trading units or less on a marketplace. This requirement is subject to certain exceptions. The Participant may withhold the order based on a determination that market conditions were such that immediate entry of the order would not be in the best interests of the client. If the order is withheld the Participant must guarantee that the client receives a price at least as good as the price the client would have received had the client order been executed on receipt by the Participant. If the order is executed against a principal order or non-client order the client must receive a better price.

Part 2 – Confirmation of Order Terms

Pursuant to Rule 6.3, a Participant may withhold entry of the order and return the order to its source for confirmation of its terms. For example, a Participant who receives an order to sell a security at \$3 in a stock trading at \$20 may return the order to the branch, as it is likely that either the price or the stock symbol is wrong.

Part 3 –Client Request to Withhold Order

A Participant does not have to immediately enter a client order on a marketplace if the client has requested that the order be withheld (for example, the client does not want the order executed in the open market but wishes to do a tax-related trade with their spouse). Any request must be specific to that order. A client cannot give a blanket request to withhold any future orders the client may give the Participant. Furthermore,

the Participant may not solicit a request to withhold the order. A Participant must keep a record of the client's request to withhold orders for seven years from the date of the instruction and, for the first two years, the request must be kept in a readily accessible location.

POLICY 6.4 – TRADES TO BE ON A MARKETPLACE

Part 1 – Trades Outside of Marketplace Hours

In accordance with section 6.1 of National Instrument 23-101, each marketplace shall set requirements in respect of the hours of trading to be observed by marketplace participants. Occasions may arise where Participants wish to make an agreement to trade as principal with a Canadian client, or to arrange a trade between a Canadian client and a non-Canadian client, outside of the trading hours of marketplaces.

Rule 6.4 states that all trades must be executed on a marketplace unless otherwise exempted from this requirement. This Policy clarifies the procedure to be followed when a Participant wishes to make such a transaction. Participants are reminded of the exemption in clause (d) of Rule 6.4 that permits a trade on another exchange or organized regulated market, provided that the exchange or market publicly disseminates details of trades in that market. Participants are also reminded of the exemption in clause (e) of Rule 6.4 that permits them to trade as principal with non-Canadian accounts off of a marketplace provided that any unwinding trade with a Canadian account is made in accordance with Rule 6.4.

Participants may make agreements to trade in listed or quoted securities with Canadian accounts as principal or as agent outside of the trading hours of marketplaces, however, such agreements must be made conditional on execution of the trade on a marketplace or on a stock exchange or organized market where the security is listed or quoted. There is no trade until such time as there is an execution on a marketplace, stock exchange or organized market. The trade on a marketplace is to be done at or immediately following the opening of the marketplace on which the order is entered. Participants may cross the trade at the agreed-upon price provided that the normal Requirements on order displacement are followed. If the Participant determines that the condition of recording the agreement to trade on a marketplace cannot be met, the agreement to trade shall be cancelled. Use of an error account to preserve the transaction is prohibited.

Part 2 – Application to Foreign Affiliates and Others

The Market Regulator considers that any use by a Participant of another person that is not subject to Rule 6.4 in order to make a trade off of a marketplace (other than as permitted by one of the exemptions) to be a violation of the just and equitable principles of trade.

Although certain related entities of Participants, including their foreign affiliates, are not directly subject to Requirements, Rule 6.4 means that a Participant may not transfer an order to a foreign affiliate, or book a trade through a foreign affiliate, and execute the order in a manner that does not comply with Rule 6.4. In other words, an order directed to a foreign affiliate by the Participant or any other person subject to Rule 6.4 shall be

executed on a marketplace unless one of the exemptions. Foreign branch offices of Participants are not separate from the Participant and as such are subject to Requirements.

Part 3 – Non-Canadian Accounts

Clause (e) of Rule 6.4 permits a Participant to trade off of a marketplace either as principal or as agent with non-Canadian accounts. A "non-Canadian account" is considered to be an account for a client who is not resident in Canada. There may be certain situations arising where a Participant is uncertain whether a particular account is a "non-Canadian account" for the purpose of this exemption. A trade by or on behalf of an individual normally resident in Canada, or an organization located in Canada, is considered to be a trade for a Canadian account. The fact that an individual may be located temporarily outside of Canada, that a foreign location is used to place the order or as the address for settlement or confirmation of the trade does not alter the account's status as a Canadian account. Trades made by or on behalf of bona fide foreign subsidiaries of Canadian institutions are considered to be non-Canadian accounts, if the order is placed by the foreign subsidiary.

For the purpose of this Policy, the relevant client of the Participant is the person to whom the order is confirmed, or if this is unknown, from whom the order is received.

Part 4 – Reporting Foreign Trades

Clause (e) of Rule 6.4 requires a Participant to report to a marketplace any trade made outside of Canada, unless the trade is reported to another stock exchange or an organized regulated market that disseminates details of trades in that market.

Participants shall report such trades to a marketplace no later than the close of business on the next trading day. The report shall identify the stock, volume, price (in the currency of the trade and in Canadian dollars) and time of the trade.

POLICY 7.2 – POLICY ON TRADING SUPERVISION OBLIGATIONS

Part 1 – Responsibility for Supervision and Compliance

For the purposes of Rule 7.2, a Participant shall supervise its employees, directors and officers and, if applicable, partners to ensure that trading in securities on a marketplace (an Exchange, QTRS or ATS) is carried out in compliance with the applicable Requirements (which includes provisions of securities legislation, UMIR, the Trading Rules and the Marketplace Rules of any applicable Exchange or QTRS). An effective supervision system requires a strong overall commitment on the part of the Participant, through its board of directors, to develop and implement a clearly defined set of policies and procedures that are reasonably designed to prevent and detect violations of Requirements.

The board of directors of a Participant is responsible for the overall stewardship of the firm with a specific responsibility to supervise the management of the firm. On an ongoing basis, the board of directors must ensure that the principal risks for non-compliance with Requirements have been identified and

that appropriate supervision and compliance procedures to manage those risks have been implemented.

Management of the Participant is responsible for ensuring that the supervision system adopted by the Participant is effectively carried out. The head of trading and any other person to whom supervisory responsibility has been delegated must fully and properly supervise all employees under their supervision to ensure their compliance with Requirements. If a supervisor has not followed the supervision procedures adopted by the Participant, the supervisor will have failed to comply with their supervisory obligations under Rule 7.2(4).

When the Market Regulator reviews the supervision system of a Participant (for example, when a violation occurs of Requirements), the Market Regulator will consider whether the supervisory system is reasonably well designed to prevent and detect violations of Requirements and whether the system was followed.

The compliance department is responsible for monitoring and reporting adherence to rules, regulations, requirements, policies and procedures. In doing so, the compliance department must have a compliance monitoring system in place that is reasonably designed to prevent and detect violations. The compliance department must report the results from its monitoring to the Participant's management and, where appropriate, the board of directors, or its equivalent. Management and the board of directors must ensure that the compliance department is adequately funded, staffed and empowered to fulfil these responsibilities.

Part 2 – Minimum Element of a Supervision System

For the purposes of Rule 7.2, a supervision system consists of both policies and procedures aimed at preventing violations from occurring and compliance procedures aimed at detecting whether violations have occurred.

The Market Regulator recognizes that there is no one supervision system that will be appropriate for all Participants. Given the differences among firms in terms of their size, the nature of their business, whether they are engaged in business in more than one location or jurisdiction, the experience and training of its employees and the fact that effective jurisdiction can be achieved in a variety of ways, this Policy does not mandate any particular type or method of supervision of trading activity. Furthermore, compliance with this Policy does not relieve Participants from complying with specific Requirements that may apply in certain circumstances. In particular, Participants are reminded that, in accordance with subsection (2) of Rule 10.1, the entry of orders must comply with the Marketplace Rules on which the order is entered and the Marketplace Rules on which the order is executed. (For example, for Participants that are Participating Organizations of the TSE, reference should be made to the Policy on "Connection of Eligible Clients of Participating Organizations").

Participants must develop and implement supervision and compliance procedures that exceed the elements identified in this Policy where the circumstances warrant. For example, previous disciplinary proceedings, warning and caution letters from the Market Regulator or the identification of problems with the supervision system or procedures by the Participant or the Market Regulator may warrant the implementation of more

detailed or more frequent supervision and compliance procedures.

Regardless of the circumstances of the Participant, however, every Participant must:

1. Identify the relevant Requirements, securities laws and other regulatory requirements that apply to the lines of business in which the Participant is engaged (the "Trading Requirements").
2. Document the supervision system by preparing a written policies and procedures manual. The manual must be accessible to all relevant employees. The manual must be kept current and Participants are advised to maintain a historical copy.
3. Ensure that employees responsible for trading in Exchange listed securities are appropriately registered and trained and that they are knowledgeable about the Trading Requirements that apply to their responsibilities. Persons with supervisory responsibility must ensure that employees under their supervision are appropriately registered and trained. The Participant should provide a continuing training and education program to ensure that its employees remain informed of and knowledgeable about changes to the rules and regulations that apply to their responsibilities.
4. Designate individuals responsible for supervision and compliance. The compliance function must be conducted by persons other than those who supervised the trading activity.
5. Develop and implement supervision and compliance procedures that are appropriate for the Participant's size, lines of business in which it is engaged and whether the Participant carries on business in more than one location or jurisdiction.
6. Identify the steps a firm will take when violations of Requirements, securities laws or other regulatory requirements have been identified. This may include cancellation of the trade, increased supervision of the employee or the business activity, internal disciplinary measures and/or reporting the violation to the Market Regulator or other regulatory organization.
7. Review the supervision system at least once per year to ensure it continues to be reasonably designed to prevent and detect violations of Requirements. More frequent reviews may be required if past reviews have detected problems with supervision and compliance. Results of these reviews must be maintained for at least five years.
8. Maintain the results of all compliance reviews for at least five years.
9. Report to the board of directors of the Participant or, if applicable, the partners, a summary of the compliance reviews and the results of the supervision system review. These reports must be made at least annually. If the Market Regulator or the Participant has identified significant issues concerning the

supervision system or compliance procedures, the board of directors or, if applicable, the partners, must be advised immediately.

Part 3 - Minimum Compliance Procedures for Trading on a Marketplace

A Participant must develop and implement compliance procedures for trading in securities on a marketplace that are appropriate for its size, the nature of its business and whether it carries on business in more than one location or jurisdiction. Such procedures should be developed having regard to the training and experience of its employees and whether the firm or its employees have been previously disciplined or warned by the Market Regulator concerning the violations of the Requirements.

In developing compliance procedures, Participants must identify any exception reports, trading data and/or other documents to be reviewed. In appropriate cases, relevant information that cannot be obtained or generated by the Participant should be sought from sources outside the firm including from the Market Regulator.

The following table identifies minimum compliance procedures for monitoring trading in securities on a marketplace that must be implemented by a Participant. The compliance procedures and the Rules identified below are not intended to be an exhaustive list of the Rules and procedures that must be complied with in every case. Participants are encouraged to develop compliance procedures in relation to all the Rules that apply to their business activities.

The Market Regulator recognizes that the requirements identified in the following table may be capable of being performed in different ways. For example, one Participant may develop an automated exception report and another may rely on a physical review of the relevant documents. The Market Regulator recognizes that either approach may comply with this Policy provided the procedure used is reasonably designed to detect violations of the relevant Rule. The information sources identified in the following table are therefore merely indicative of the types of information sources that may be used.

Minimum Compliance Procedures for Trading Supervision

Rules and Policies	Compliance Review Procedures	Potential Information Sources	Frequency and Sample Size
Synchronization of Clocks Rule 10.14	<ul style="list-style-type: none"> confirm accuracy of clocks and computer network times remove unused or non-functional machines 	<ul style="list-style-type: none"> time clocks Trading Terminal system time OMS system time 	<ul style="list-style-type: none"> Daily
Audit Trail Requirements Rule 10.11	<ul style="list-style-type: none"> ensure the presence of: <ul style="list-style-type: none"> time stamp quantity price (if limit order) security name or symbol identity of trader (initial or sales code) client name or account number-special instructions from any client information required by audit trail requirements <ul style="list-style-type: none"> for CFOD orders, ensure the presence of second time stamp and clear quantity or price changes 	<ul style="list-style-type: none"> order tickets the Diary List 	<ul style="list-style-type: none"> quarterly check 25 original client tickets selected randomly over the quarter
Electronic Records Rule 10.11	<ul style="list-style-type: none"> verify that electronic order information is: <ul style="list-style-type: none"> being stored retrievable accurate 	<ul style="list-style-type: none"> firm and service bureau systems 	<ul style="list-style-type: none"> annually
Manipulative and Deceptive Trading Rule 2.2(1), (2) Policy 2.2	<ul style="list-style-type: none"> review trading activity for: <ul style="list-style-type: none"> wash trading unrelated accounts that may display a pattern of crossing securities off-market transactions which require execution on a Marketplace 	<ul style="list-style-type: none"> order tickets the diary list new client application forms monthly statements 	<ul style="list-style-type: none"> quarterly review sampling period should extend over several days
Establishing Artificial Prices Rule 2.2(1), (3) Rule 6.5 Policy 2.2	<ul style="list-style-type: none"> review tick setting trades entered at or near close look for specific account trading patterns in tick setting trades review accounts for motivation to influence the price review separately, tick setting trades by Market on Close (MOC) or index related orders 	<ul style="list-style-type: none"> order tickets the diary list Equity History Report (available on TSE market data website for TSE-listed securities) closing report from Market Regulator services (delivered to Participants) new client application forms 	<ul style="list-style-type: none"> monthly emphasis on trades at the end of month, quarter or year (for trades not on MOC or index related) for MOC or index related orders, check for reasonable price movement
Grey or Watch List Rule 2.2	<ul style="list-style-type: none"> review for any trading of Grey or Watch List issues done by proprietary or employee accounts 	<ul style="list-style-type: none"> order tickets the diary list trading blotters firm Grey List or Watch List monthly statements 	<ul style="list-style-type: none"> daily
Restricted List Rule 2.2 Rule 7.8 Rule 7.9	<ul style="list-style-type: none"> review for any trading of restricted list issues done by proprietary or employee accounts 	<ul style="list-style-type: none"> order tickets the diary list trading blotters firm Restricted List monthly statements 	<ul style="list-style-type: none"> daily
Frontrunning Rule 4.1	<ul style="list-style-type: none"> review trading activity of proprietary and employee accounts prior to: <ul style="list-style-type: none"> large client orders transactions that would impact the market 	<ul style="list-style-type: none"> order tickets the diary list equity history report 	<ul style="list-style-type: none"> quarterly sample period should extend over several days

SRO Notices and Disciplinary Decisions

Rules and Policies	Compliance Review Procedures	Potential Information Sources	Frequency and Sample Size
<p>Sales from Control Blocks</p> <p>Securities legislation incorporated by Rule 10.1</p>	<ul style="list-style-type: none"> review all known sales from control blocks to ensure regulatory requirements have been met review large trades to determine if they are undisclosed sales from control block 	<ul style="list-style-type: none"> order tickets trading blotter new client application form OSC bulletin Exchange company bulletins 	<ul style="list-style-type: none"> as required sample trades over 250,000 shares
<p>Order Handling Rules</p> <p>Rule 5.1 Rule 5.3 Rule 6.3 Rule 8.1</p>	<ul style="list-style-type: none"> review client-principal trades of 50 standard trading units or less for compliance with order exposure and client principal transactions rules verify that orders of 50 standard trading units or less are not arbitrarily withheld from the market 	<ul style="list-style-type: none"> order tickets equity history report trading blotters the diary list 	<ul style="list-style-type: none"> quarterly sample, specifically: <ul style="list-style-type: none"> -trader managed orders of 1200 shares and under -trader managed orders above 1200 and up to and including 5000 shares
<p>Order Markers</p> <p>Rule 6.2 Marketplace Rules incorporated by Rule 10.1 (for marketplaces on which the order is entered or executed)</p>	<ul style="list-style-type: none"> verify that appropriate client, employee, and proprietary trade markers are being employed ensure that client orders are not being improperly entered with pro markers verify that appropriate order designations are included on orders 	<ul style="list-style-type: none"> order tickets trading blotters the diary list 	<ul style="list-style-type: none"> quarterly samples should include one full day of trading for orders not entered through the OMS system
<p>Trade Disclosures</p> <p>Securities legislation incorporated by Rule 10.1</p>	<ul style="list-style-type: none"> verify appropriate trade disclosures are made on client confirmations <ul style="list-style-type: none"> - principal - average price - related issuer 	<ul style="list-style-type: none"> trading blotters client confirmations the diary list order tickets 	<ul style="list-style-type: none"> quarterly sample should include non-OMS trades
<p>Normal Course Issuer Bids</p> <p>Marketplace Rules (e.g. Rule 6-501 and Policy 6-501 of TSE and Policy 5.6 of CDNX)</p>	<ul style="list-style-type: none"> review NCIBs for: <ul style="list-style-type: none"> - maximum stock purchase limits of 5% in 1 year or 2% in 30 days are observed - purchases for NCIBs are not occurring while a sale from control is being made - purchases are not made on upticks - trade reporting to Exchange (if the firm reports on behalf of issuer) 	<ul style="list-style-type: none"> order tickets the diary list (formerly known as the CATS diary list) trading blotters new client application form 	<ul style="list-style-type: none"> quarterly

POLICY 8.1 – CLIENT-PRINCIPAL TRADING

Part 1 - General Requirements

Rule 8.1 governs client-principal trades. It provides that, for trades of 50 standard trading units or less, a Participant trading with one of its clients as principal must give the client a better price than the client could obtain on a marketplace. A Participant must take reasonable steps to ensure that the price is the best available price for the client taking into account the condition of the market. If the security is inter-listed, the rule extends to all Canadian markets on which the security is listed. This means that if the Participant is buying, the client must receive a higher price than is bid on any Canadian marketplace, and, if the Participant is selling, the client must pay a lower price than the lowest offering.

For client-principal trades greater than 50 standard trading units, the Participant may do the trade provided the client could not obtain a better price on a marketplace in accordance with the best execution obligations under Rules 5.1 and 5.2. The Participant must take reasonable steps to ensure that the best price is obtained and the price to the client is justified by the condition of the market.

Part 2 – Legal Aspects of the Client-Principal Relationship

A Participant owes a fiduciary duty to its clients. This duty and investors' trust in our Participants are fundamental to investor confidence in the integrity of the market. In the Market Regulator's view, this relationship of trust arises where there is reliance by the client on the Participant's expertise in securities matters. From the point of view of both the client and the Participant, the fiduciary responsibility exists regardless of the legal form of the transaction. In other words, an investor who relies on the expertise of a Participant expects the Participant to act in the investor's best interests regardless of whether the Participant is acting as agent or as principal. The legal framework underpinning client-principal trades was stated in the 1965 report of the Royal Commission on the Windfall Co. scandal:

An agent must conduct himself so that the interest of the person in whose behalf he is acting is not brought into conflict with his personal interest. An agent may not make for himself any deal which could have been made for his client within the scope of the client's instructions; if he does, he is assumed to have been acting on his client's behalf and the client is entitled to the benefit of the transaction. An agent must disclose to the client any fact known to the agent which would be likely to operate on the client's judgment. An agent may not, in connection with his client's business, make a secret profit for himself.

These restrictions flow from the recognition of the serious conflicts inseparable from the agency relationship, and from a corresponding recognition that every such conflict must be resolved in favour of the client. A principal trade may be subject to attack if it appears that the Participant did not act to the best advantage of its client even if the Participant complies with the technical requirements of the Rule. For example, if the principal account profited from the trade by unwinding the position again soon after the principal trade was made, or if the Registered Representative receives a higher commission than

for agency transactions of a similar size involving similar securities, the Participant will find it more difficult to justify its actions. Participants should obtain their own legal advice as to the propriety of their client-principal trading practices. The following are considerations in any client-principal trade:

Consent — At common law, the prior informed consent of the client must be obtained before the agent may act as principal. This is impractical in the context of trading securities on a marketplace, where at the time of receipt of the client's order the Participant will likely not know who will be on the other side. If the Participant, through the Registered Representative or other employee knows that the firm or a non-client of the firm will or probably will take the other side, the client's consent should be obtained. In particular, if the Registered Representative wishes to take the other side of the trade with their client, the client must be informed and consent to the trade in advance. Such consent must be specific to that trade and cannot be in a general consent to any future trades with the Registered Representative. As promptly as possible following the execution of a principal trade, the client should be advised that all or part of the securities taken or supplied were from an account in which the Participant or a non-client of the Participant has an interest. This advice would form part of the usual discussion that occurs when a Registered Representative confirms to the client that the client's order has been filled. In addition, the written confirmation must disclose that the order has been filled in a principal transaction.

Nature of the Client — Some clients are in greater need of protection from the potential conflict of interest in client-principal trades. The onus on the Participant usually will be reduced if the client is a fully informed institutional client with regard to the state of the market. Sophisticated institutional clients are able to judge whether a specific net price is appropriate in the context of the market. If there was no prior discussion with the client concerning executing the client's order in a client-principal trade, or if there are no standing instructions on handling of orders, the Participant must judge whether any steps need be taken, taking into account the size of the order and other circumstances, to ensure that a better price is not available. To a large degree this will depend on the depth of the market and normal liquidity of the security.

Suitability — Compliance with the client-principal trading rules does not relieve a Participant of its suitability and "know your client" obligations. As with any other trade, Participants must ensure that the trade is suitable for the client, even if the best possible price has been obtained.

Facilitation Accounts — The rules do not apply to a client-principal trade where the inventory account was used solely to facilitate the execution or confirmation of a client order (for example, an inventory accumulation account used to give an institutional client a single average-price confirmation). In these cases, the client is the beneficial owner of the position in the inventory account at all times.

Refusal by Client — Participants should ensure that procedures are in place to identify orders that should not be affected on a principal basis. This is necessary to deal with situations where clients notify a Participant that they do not consent to principal trading generally or to particular principal trades.

POLICY 10.8 - POLICY ON PRACTICE AND PROCEDURE

Part 1 - General Procedure and Practice

1.1 Definitions

In this Policy, unless the subject matter or context otherwise requires:

"applicant" means the party who instituted the proceedings for a written hearing.

"document" includes a sound recording, videotape, film, photographs, chart, graph, map, plan, survey, book of account, and information recorded or stored by means of any device.

"party" includes the staff of the Market Regulator.

"Secretary" means the Secretary of the Market Regulator or other officer or employee of the Market Regulator designated by the Board to perform the functions of the Secretary for the purposes of this Policy.

1.2 Procedural Power of Hearing Panel

(1) A Hearing Panel may:

- (a) exercise any power under this Policy on its own initiative or at the request of a party;
- (b) issue general or specific procedural directions at any time before or during a hearing; and
- (c) waive any procedural requirement with the consent of the parties.

(2) If any provision of this Policy is inconsistent with any applicable statutory requirement, the Hearing Panel shall order such change in the practice and procedure as to comply with the applicable statutory requirement.

1.3 Irregularity in Form

No determination, document, hearing, order or interim order is invalid by reason only of a defect or other irregularity in form.

1.4 Language of Proceedings

(1) If, in accordance with any applicable statutory requirement, a person would have a right to a hearing conducted in the French language then, upon the request of such person in writing to the Secretary or in such other manner as provided by law, all documents prepared by or on behalf of the Market Regulator and served or delivered on such person shall be in French and any hearing or other proceeding shall be conducted in French.

(2) Despite subsection (1), any document to be

disclosed in accordance with section 8.1(1) shall be provided in the language that the document was originally written.

1.5 Service and Filing

(1) **Service** - A document required under this Policy to be served must be served by one of the following methods:

- (a) personal service on an individual, by leaving a copy of the document with the individual;
- (b) personal service on any corporation, by leaving a copy of the document with an officer or director of the corporation, or with an individual at any place of business of the corporation who appears to be in control or management of the place of business;
- (c) service by sending a copy of the document by mail, courier or telephone transmission to the last known address or fax number of the party to be served;
- (d) service on a party who is represented by a solicitor or an agent by,
 - (i) acceptance of a copy of the document on behalf of the solicitor or the agent,
 - (ii) sending a copy of the document by mail, courier or telephone transmission to the officer of the solicitor or agent, or
 - (iii) depositing a copy of the document at a document exchange of which the solicitor or agent is a member or subscriber; or
- (e) service by any other method permitted by the Hearing Panel.

(2) **Proof of Service** - The Hearing Panel may accept proof of service of a document by an affidavit of the person who served it.

(3) **Filing** - A document required to be filed with the Hearing Panel under this Policy must be filed by either personal delivery of a copy or sending a copy by mail, courier or telephone transmission to Secretary.

(4) **Effective Date of Service or Filing** - Service or filing of a document is deemed to be effective:

- (a) if served personally, on the same day as service;
- (b) if sent by mail, on the fifth day after the day of mailing;
- (c) if sent by telephone transmission, on the same day as the transmission unless received after 5 p.m., in which case the document will be deemed to have been served or filed on the next day that is not a

holiday;

(d) if sent by courier, on the second day after the day on which the document was given to the courier by the party serving or filing, unless the second day is a holiday, in which case the effective date is the next day which is not a holiday;

(e) if deposited at a document exchange, on the first day after the day on which the document was deposited, unless the first day is a holiday, in which case the effective date is the next day which is not a holiday; or

(f) as otherwise ordered by the Hearing Panel.

(5) **Required Information on Documents** - A party serving or filing a document shall include the following information:

(a) the party's name, address, telephone number and fax number;

(b) the style of cause of the hearing to which the document relates;

(c) the name, address, telephone and fax number of the party's solicitor or agent; and

(d) the name of the party or solicitor or agent with whom the document is being served or filed.

(6) **Extension or Abridgment of Time** - Any time period prescribed by this Policy may be extended or abridged as follows:

(a) upon order of the Hearing Panel or after expiration of a prescribed time period on such terms as the Hearing Panel considers appropriate; or

(b) on consent of the parties before the expiration of a prescribed time period.

Part 2 – Statement of Allegations

2.1 Provision of Statement of Allegations

If the Market Regulator is of the opinion that a person described in subsection (1) of Rule 10.2 has contravened a Requirement or a person is liable for the contravention of a Requirement in accordance with Rule 10.3, the Market Regulator may serve a Statement of Allegations on such person.

2.2 Contents of Statement of Allegations

A Statement of Allegations must contain:

(a) a reference to the Requirement that the Market Regulator is of the opinion has been contravened;

(b) the facts alleged and intended to be relied upon be the Market Regulator; and

(c) the conclusions drawn by the Market Regulator based on the alleged facts.

Part 3 - Offers of Settlement and Settlement Agreements

3.1 Provision of Offer of Settlement

If the Market Regulator has served a Statement of Allegations on any person, the Market Regulator may serve an Offer of Settlement on such person concurrent with or at any time after the serving of the Statement of Allegations.

3.2 Contents of Offer of Settlement

An Offer of Settlement must:

(a) be in writing;

(b) be signed by the President of the Market Regulator or such other officer of the Market Regulator as is authorized to make an Offer of Settlement;

(c) specify, that if the Offer of Settlement is accepted, the date on or before which the Settlement Agreement must be served on the Market Regulator provided that the date shall not be earlier than 20 days after the Offer of Settlement has been served;

(d) contain a reference to the Statement of Allegations intended to be relied upon be the Market Regulator;

(e) specify the penalties or remedies to be imposed by the Market Regulator pursuant to Rule 10.4 and the assessment of any expenses to be made pursuant to Rule 10.5; and

(f) contain a statement that if the Offer of Settlement is accepted by the person on whom it is served:

(i) the resulting Settlement Agreement is conditional upon the approval of the Hearing Panel, and

(ii) the person shall waive all rights under the Rules and other Requirements to a hearing or to an appeal or review if the Settlement Agreement is approved by the Hearing Panel.

3.3 Acceptance of Offer of Settlement

An Offer of Settlement may be accepted by a person upon whom it has been served by that person or such other individual authorized to sign on behalf of that person:

(a) executing the Offer of Settlement; and

- (b) serving the executed document on the Market Regulator on or before the date specified in the Offer of Settlement.

3.4 Submission of Settlement Agreement for Approval

A Settlement Agreement shall be submitted to a Hearing Panel of three members within 20 days following the acceptance of the Offer of Settlement and the Hearing Panel may:

- (a) approve the Settlement Agreement; or
- (b) reject the Settlement Agreement.

3.5 Without Prejudice Negotiations

All negotiations of an Offer of Settlement or a Settlement Agreement are without prejudice to the Market Regulator and all other persons involved in the negotiations and the negotiations may not be used as evidence or referred to in any proceedings.

3.6 Approval of Settlement Agreement

If the Settlement Agreement is approved by the Hearing Panel:

- (a) the Hearing Panel shall issue an order in accordance with the terms of the Settlement Agreement;
- (b) the matter becomes final and no party to the Settlement Agreement may appeal or seek a review of the matter;
- (c) the disposition of the matter shall be included in the permanent record of the Market Regulator in respect of the person that accepted the Offer of Settlement; and
- (d) the Market Regulator shall publish a summary of:
 - (i) the Requirement contravened,
 - (ii) the facts, and
 - (iii) the disposition of the matter, including any penalty or remedy imposed and any expenses assessed.

3.7 Rejection of Settlement Agreement

If the Settlement Agreement is rejected by the Hearing Panel, the Market Regulator may proceed with a hearing of the matter and any member of the Hearing Panel that reviewed the Settlement Agreement must not participate further in any way in the matter.

Part 4 – Notice of Hearing

4.1 Provision of Notice of Hearing

If the Market Regulator has served a Statement of Allegations on any person, the Market Regulator may serve a Notice of Hearing on such person concurrent with or at any time after the serving of the Statement of Allegations provided that a Notice of Hearing may not be issued:

- (a) if the Market Regulator has served an Offer of Settlement, until after the date specified in the Offer of Settlement by which the Offer of Settlement may be accepted; and
- (b) if an Offer of Settlement has been accepted, until the Settlement Agreement has been rejected by a Hearing Panel.

4.2 Contents of Notice of Hearing

A Notice of Hearing must contain:

- (a) details about the manner in which the hearing will be held including, if applicable to the form of hearing, the date, time and place of the hearing;
- (b) a reference to the statutory or other authority under which the hearing will be held;
- (c) a statement as to the purpose of the hearing;
- (d) a reference to the Statement of Allegations intended to be relied upon by the Market Regulator;
- (e) a statement that the party notified may object to holding the hearing as an electronic or a written hearing and the procedure to be followed for that purpose;
- (f) a statement respecting the effect of section 9.4; and
- (g) any other information the Market Regulator or the Hearing Panel considers advisable.

4.3 Date of Hearing

- (1) Unless the party on whom the Notice of Hearing is served has consented in writing, the date of the initial hearing specified in the Notice of Hearing shall not be earlier than 45 days after the date the Notice of Hearing has been served.
- (2) For greater certainty, any hearing of a matter after the date of the initial hearing specified in the Notice of Hearing shall be as directed or ordered by the Hearing Panel.

Part 5 – Form of Hearing

5.1 Factors in Determining to Hold Oral, Electronic or Written Hearing

In deciding whether to hold an oral hearing, written hearing or electronic hearing, the Hearing Panel shall take into account any relevant factors, which may include:

- (a) the suitability of the hearing format considering the subject matter of the hearing, including the extent to which matters are in dispute;
- (b) whether the nature of the evidence is appropriate for the hearing format, including whether credibility is an issue and the extent to which the facts are in dispute;
- (c) the extent to which the matters in dispute are questions of law;
- (d) the convenience of the parties;
- (e) the cost, efficiency and timeliness of the proceedings;
- (f) avoidance of unnecessary length or delay;
- (g) ensuring a fair and understandable process;
- (h) the desirability or necessity of public participation or public access to the Hearing Panel's process; and
- (i) any other consideration which may be taken into account in accordance with applicable legislation.

5.2 Notice of Objection

- (1) A party who objects to a hearing being held as an electronic or as a written hearing shall file and serve on all other parties a Notice of Objection within 5 days after receiving the Notice of Hearing.
- (2) Despite subsection (1), a party may not object to the Hearing Panel conducting an electronic hearing to deal with procedural matters.

5.3 Contents of Notice of Objection

A Notice of Objection shall be in writing and shall:

- (a) state whether the holding of an electronic or written hearing is likely to cause the party significant prejudice;
- (b) set out reasons for the objection; and
- (c) state all facts upon which the party relies and provide the evidence on which the party relies in relation to the objection.

5.4 Procedure When Objection Made

If the Hearing Panel receives a Notice of Objection, the Hearing Panel shall:

- (a) accept the objection, cancel the form of hearing and either schedule an oral hearing or, with consent of the parties, schedule a written hearing or an electronic hearing as the case may be;
- (b) if permitted by applicable law, reject the objection provided the Hearing Panel is satisfied that there will not be significant prejudice to the objecting party, inform every other party that they are not required to respond to the Notice of Objection and proceed with the form of hearing specified in the Notice of Hearing; or
- (c) notify all other parties that they may respond to the Notice of Objection by serving on every other party and filing a written response in such form and within such time as is directed by the Hearing Panel and, after considering the objection and all responses, proceed with the form of hearing specified in the Notice of Hearing, schedule an oral hearing, or, with consent of the parties, schedule a written hearing or an electronic hearing as the case may be.

5.5 Converting Type of Hearing

- (1) Subject to any applicable statutory requirements, the Hearing Panel may continue:
 - (a) a written or electronic hearing as an oral hearing;
 - (b) an oral or written hearing as an electronic hearing; or
 - (c) an oral or electronic hearing as a written hearing, unless a party objects.
- (2) If the Hearing Panel decides to convert the type of hearing that was specified in the Notice of Hearing, the Hearing Panel shall notify the parties of its decision and may supply directions as to the holding of that hearing and any procedures for such hearing.

Part 6 - Motions

6.1 Notice of Motion

Where a party intends to bring a motion before the Hearing Panel at a hearing, written notice shall be served on all other parties and filed with the Hearing Panel at least 5 days before the day the motion is to be heard.

6.2 Contents of Notice of Motion

The Notice of Motion must contain the relief sought, the grounds for the motion and the evidence to be relied upon.

6.3 Hearing Date for Notice of Motion

Except when a motion is to be heard on a scheduled hearing date or is to be argued in writing, the party bringing the motion shall, before serving the Notice of Motion, file a copy of the Notice of Motion with the Secretary and obtain a date for the Hearing Panel to hear the motion.

Part 7 - Pre-Hearing Conferences

7.1 Order for a Pre-hearing Conference

At any time prior to a hearing, the Hearing Panel on its own initiative, or at the request of one or more of the parties, may order the parties to attend a pre-hearing conference.

7.2 Composition of the Hearing Panel at the Pre-hearing Conference

A pre-hearing conference shall be held before a chairman of the Hearing Panel and any other member of the Hearing Panel who may be required to assist the chairman.

7.3 Issues to be Considered

At a pre-hearing conference the Hearing Panel may consider any appropriate issue, including:

- (a) the settlement of any or all of the issues;
- (b) the identification and simplification of the issues;
- (c) the disclosure of documents;
- (d) facts or evidence that may be agreed upon;
- (e) evidence to be admitted on consent;
- (f) the identification of any preliminary objections;
- (g) procedural issues including the dates by which any steps in the hearing are to be taken or begun, the estimated duration of the hearing, and the date that the hearing will begin; and
- (h) any other issue that may assist in the just and most expeditious disposition of the hearing.

7.4 Notice of Pre-hearing Conference

- (1) Notice to Parties and Others - The Secretary shall give notice of any pre-hearing conference to the parties and to such other persons as the Hearing Panel directs.

- (2) Contents of Notice -The notice of any pre-hearing conference must include:

- (a) the date, time, place and purpose of the pre-hearing conference;
- (b) whether parties are required to exchange or file documents or pre-hearing submissions in accordance with section 7.5 and, if so, the issues to be addressed and the date by which the documents or pre-hearing submissions must be exchanged and filed;
- (c) whether parties are required to attend in person, and
 - (i) if so, that they may be represented by counsel or agent, or
 - (ii) if not, that their counsel or agent must be given authority to make agreements and undertakings on their behalf respecting the matters to be addressed at the pre-hearing conference;
- (d) a statement that if a party does not attend in person or by counsel or an agent at the pre-hearing conference, the Hearing Panel may proceed in the absence of that party; and
- (e) a statement that the Hearing Panel presiding at the pre-hearing conference may make orders with respect to the conduct of the proceeding which will be binding on all parties.

7.5 Exchange of Documents

The Hearing Panel designated to preside at the pre-hearing conference may:

- (a) order the parties to exchange or file by a specified date documents or pre-hearing submissions; and
- (b) set the issues to be addressed in the pre-hearing submissions and at the pre-hearing conference.

7.6 Oral, Written or Electronic

A pre-hearing conference may be held in person, in writing or electronically as the Hearing Panel may direct.

7.7 Inaccessible to the Public

- (1) Pre-hearing Conference - A pre-hearing conference shall be held in the absence of the public unless the Hearing Panel directs that it be open to the public.
- (2) Documents and Submissions - Any pre-hearing documents or pre-hearing submissions ordered

under section 7.5 shall not be disclosed to the public.

7.8 Settlement of Issues

If the settlement of any issues is discussed at a pre-hearing conference:

- (a) statements made without prejudice at a pre-hearing conference may not be communicated to the hearing panel;
- (b) the members of the Hearing Panel presiding at the pre-hearing conference shall not preside at the hearing of the proceeding unless all parties consent in writing or on the record;
- (c) an agreement to settle any or all of the issues binds the parties to the agreement but is subject to approval by such other panel of the Hearing Panel as is assigned to consider the settlement; and
- (d) all agreements, orders and decisions which dispose of a proceeding as it affects any party shall be made available to the public unless the Hearing Panel directs otherwise.

7.9 Orders, Agreements, Undertakings

- (1) Preparation of Memorandum - Any orders, agreements and undertakings made at a pre-hearing conference shall be recorded in a memorandum prepared by or under the direction of the members of the Hearing Panel presiding at the pre-hearing conference.
- (2) Provision of Copies - Copies of this memorandum shall be provided to the parties and to the members of the Hearing Panel presiding at the hearing of the matter and to such other persons as the members of the Hearing Panel presiding at the pre-hearing conference direct.
- (3) Binding Effect - Any orders, agreements and undertakings in the memorandum shall govern the conduct of the hearing and are binding upon the parties at the hearing unless otherwise ordered by the Hearing Panel.

7.10 No Communication to Hearing Panel

Other than any orders, agreements and undertakings recorded in a memorandum prepared in accordance with section 7.9, no information about the pre-hearing conference shall be disclosed to the members of the Hearing Panel who preside at the hearing unless all parties consent in writing or on the record.

Part 8 - Disclosure

8.1 Requirement to Disclose

(1) Documents and Other Things - Each party to a hearing shall, as soon as practicable after service of the Notice of Hearing, and in any case no later than 10 days before the day upon which the hearing is scheduled to commence:

- (a) deliver to every other party copies of all documents that the party intends to refer to or tender as evidence at the hearing; and
- (b) make available for inspection by every other party anything other than a document that the party intends to refer to or tender as evidence at the hearing.

(2) Additional Obligation of Market Regulator - In addition to any document or thing delivered or made available by the Market Regulator in accordance with subsection (1), the Market Regulator shall as soon as practicable after service of the Notice of Hearing, and in any case no later than 10 days before the day upon which the hearing is scheduled to commence:

- (a) deliver to every other party copies of all other documents relevant to the subject matter of the hearing; and
- (b) make available for inspection by every other party anything other than a document relevant to the subject matter of the hearing.

(3) By Order of Hearing Panel - At any stage in a hearing, the Hearing Panel may order a party to provide to another party any other disclosure that the Hearing Panel considers appropriate within a time period and on terms and conditions as specified by the Hearing Panel.

8.2 Failure to Make Disclosure

If a party fails to make a disclosure of a document or thing in compliance with section 8.1, the party may not refer to the document or thing or tender it as evidence at the hearing without the consent of the Hearing Panel on such terms and conditions as the Hearing Panel considers just.

8.3 Witness Lists and Statements

(1) Provision of Witness Lists and Statements - Subject to section 8.4, a party to a hearing shall, as soon as practicable after service of the Notice of Hearing, and in any case no later than 10 days before the day upon which the hearing is scheduled to commence, provide to every other party:

- (a) a list of the witnesses the party intend to call to give evidence at the hearing; and

- (b) in respect of each witness named on the list, either:
 - (i) a witness statement signed by the witness, or
 - (ii) a summary of the anticipated evidence that the witness is expected to give at the hearing.

(2) **Contents of Witness Statements** - A witness statement or summary of the anticipated evidence that the witness is expected to give at the hearing must contain:

- (a) the substance of the evidence of the witness;
- (b) a reference to all documents, if any, that the witness will refer to; and
- (c) the name and address of the witness, or in the alternative, the name of a person through whom the witness can be contacted.

(3) **Failure to Provide Witness List or Statement**

If a party fails to include a witness in the witness list or provide a witness list or a witness statement or a summary of the anticipated evidence as required by subsection (1), the party may not call the witness at the hearing without the consent of the Hearing Panel on such terms and conditions as the Hearing Panel considers just.

(4) **Incomplete Witness Statement**

A party may not call a witness to testify to matters not disclosed in the witness statement or summary of the anticipated evidence as required by subsection (2), without the consent of the Hearing Panel on such terms and conditions as the Hearing Panel considers just.

8.4 Expert Witness

- (1) **Notice of Intent to Call Expert** - A party that intends to call an expert witness at the hearing shall, at least 30 days before the day upon which the hearing is scheduled to commence, inform the other parties of the intent to call the expert witness and the issue on which the expert will be giving evidence.
- (2) **Provision of Expert's Report** - A party that intends to refer to or to tender as evidence a report prepared by an expert witness at a hearing shall, at least 15 days before the day upon which the hearing is scheduled to commence, provide to every other party a copy of the report signed by the expert containing:

- (a) the name, address and qualifications of the expert;
- (b) the substance of the anticipated evidence of the expert; and
- (c) a list of all the documents, if any, to which the expert will refer.

(3) **Failure to Advise of Intent to Call Expert** - A party that fails to comply with subsection (1) may not call the expert as a witness without the consent of the Hearing Panel on such terms and conditions as the Hearing Panel considers just.

(4) **Failure to Provide Expert's Report** - A party that fails to comply with subsection (2) may not refer to or tender as evidence the expert's report without the consent of the Hearing Panel on such terms and conditions as the Hearing Panel considers just.

Part 9 – Conduct of Hearing

9.1 Particular Practice and Procedure for Oral Hearing

- (1) A person served with a Notice of Hearing shall, within 20 days from the date of service, serve on the Market Regulator a Reply signed by the person or by an individual authorized to sign on behalf of the person that specifically denies, with the particulars of the supporting facts and arguments, any or all of the facts alleged or the conclusions drawn by the Market Regulator as set out in the Statement of Allegations.
- (2) The Hearing Panel may accept as having been proven any facts alleged or conclusions drawn by the Market Regulator in the Statement of Allegations that are not specifically denied, with the particulars of the supporting facts and arguments, in the Reply.
- (3) A person served with a Notice of Hearing is entitled at an oral hearing of the matter:
 - (a) to attend and be heard in person;
 - (b) to be represented by counsel or an agent;
 - (c) to call and examine witnesses and to present arguments and submissions; and
 - (d) to conduct cross-examinations of witnesses at the hearing reasonably required for a full and fair disclosure of the facts in relation to which they have given evidence.

9.2 Particular Practice and Procedure for Written Hearing

- (1) **Submissions and Supporting Documents** - The applicant shall, within 7 days after receiving notice of the written hearing, file and serve on all other parties its written submissions setting out,
 - (a) the grounds upon which the request for the remedy or order is made;
 - (b) a statement of the facts relied on in support of the remedy or order requested;
 - (c) the evidence relied on in support of the remedy or order requested; and
 - (d) any law relied on in support of the remedy or order requested.
- (2) **Additional Information** - The Hearing Panel may require the applicant to provide further information, and this information must be supplied to every other party.
- (3) **Response** - A party may respond to the submissions of the applicant by filing and serving on every other party a written response within 5 days after the submissions and supporting documents of the applicant are served on the party which response shall set out the submissions of the responding party relating to the matter before the Hearing Panel and be accompanied by a statement of the facts and any evidence and any law relied on in support of the response.
- (4) **Reply to Response** - The applicant may reply to a response by filing and serving on every other party a written reply within 5 days after a response from a party is served on the applicant which reply to the response must set out the position of the applicant to the response and be accompanied by any additional facts, evidence and law that the applicant relies on in support of the reply.
- (5) **Questions and Answers** - If a written hearing involves evidentiary issues, the Hearing Panel may direct that,
 - (a) the applicant and any responding party may ask such questions of the other as are reasonably necessary for the purpose of clarification of the other's evidence by filing and serving on every other party written questions within such time as is directed by the Hearing Panel; and
 - (b) the party to whom the questions are directed shall file and serve on every other party written answers to such questions within such time as is directed by the Hearing Panel.

(6) **Evidence** - The evidence must:

- (a) be in writing, or when electronic transmission is permitted, it must be in the form directed by the Hearing Panel;
- (b) identify the person giving the evidence and be in certified form or in affidavit form; and
- (c) include all documents and things a party is relying on to support the remedy or order requested or the response or to otherwise support the position a party is taking in the hearing.

(7) **No Oral Examination** - Unless ordered by the Hearing Panel, there will be no oral examination.

(8) **Presentation of Witness** - If a party requests, the Hearing Panel may order that a party present a witness to be examined or cross-examined upon such conditions as the Hearing Panel directs.

9.3 Particular Practice and Procedures for Electronic Hearing

The Hearing Panel may, in deciding that a hearing will be held electronically, impose conditions including specifying the party responsible for making the necessary arrangements for the electronic hearing and requiring that a party requesting an electronic hearing pay all or part of the cost of providing the facilities necessary for the conduct of the hearing electronically.

9.4 Failure of Defendant to Reply, Attend or Participate

If a person served with a Notice of Hearing fails to:

- (a) in the case of an oral hearing, serve a Reply in accordance with section 9.1;
- (b) in the case of written hearing, serve a Response in accordance with section 9.2 or
- (c) attend or participate at the hearing specified in the Notice of Hearing,

the Market Regulator may proceed with the hearing on the matter on the date and at the time and place set out in the Notice of Hearing without further notice to and in absence of the person, and the Hearing Panel may, if permitted by law, accept the facts alleged or the conclusions drawn by the Market Regulator in the Statement of Allegations as having been proven by the Market Regulator and the Hearing Panel may impose any one or more of the penalties or remedies authorized by the Rules and assess expenses as authorized by the Rules.

9.5 Order for Particulars or Amendment

At any time in a hearing, the Hearing Panel may order:

- (a) any party to provide to any other party such particulars as the Hearing Panel considers necessary for a full and satisfactory understanding of the subject of the hearing; and
- (b) after providing parties an opportunity to make submissions, that the Statement of Allegations be amended in accordance with the evidence introduced at the hearing.

9.6 Disposition

- (1) The Hearing Panel shall give its final decision and order, if any, in a hearing in writing and shall give reasons in writing therefore if requested by a party.
- (2) The Hearing Panel shall send to each party to the hearing a copy of its final decision and order, if any, including the reasons therefore if any have been given by any method of service permitted under section 1.4.
- (3) The disposition of the matter shall be included in the permanent record of the Market Regulator in respect of the person that is the subject of the hearing.
- (4) The Market Regulator shall publish a summary of the decision and order, including:
 - (a) the Requirement contravened or alleged to be contravened,
 - (b) the facts, and
 - (c) the disposition of the matter, including any penalty or remedy imposed and any expenses assessed.

Part 10 – Hearing Committee and Hearing Panels

10.1 Composition of Hearing Committee

- (1) On the date that a marketplace retains the Market Regulator to be its regulation service provider and every third annual anniversary thereafter, each marketplace that has retained the Market Regulator to be its regulation service provider shall be entitled to nominate 20 persons in each jurisdiction in which the marketplace is recognized or registered in accordance with applicable securities legislation to be a member of the Hearing Committee.
- (2) At least one-third of the persons nominated by a marketplace in each jurisdiction shall be:

- (a) a member in good standing of the Law Society of that jurisdiction or a person retired from membership of the Law Society of that jurisdiction in good standing; and
 - (b) a director, officer, partner or employee of a Participant or a Non-Dealer Subscriber of the marketplace or a former director, officer, partner or employee of a Participant or a Non-Dealer Subscriber.
- (3) The Governance Committee or other committee of the Board comprised of independent directors or persons shall:

- (a) review each person nominated for membership on the Hearing Committee and in such review shall consider general knowledge of business practices and securities legislation, experience, regulatory background, availability for hearings, reputation, ability to conduct hearings in either French or English, jurisdictions in which the person would be entitled to serve; and
 - (b) appoint to the Hearing Committee those persons which it considers to be suitable.
- (4) Each person appointed to the Hearing Committee shall serve for a term of three years from the date of their appointment provided that, if the person is serving on a Hearing Panel at the expiration of the three-year term, the term of that person shall be automatically extended until the completion of the proceeding then before the Hearing Panel.
- (5) If the Market Regulator ceases to be the regulation service provider for a marketplace every member of the Hearing Committee nominated by that marketplace shall be automatically removed from the Hearing Committee effective as of the date that the Market Regulator ceased to be the regulation service provider for the marketplace provided that, if the person is serving on a Hearing Panel on that date, the term of that person shall be automatically extended until the completion of the proceeding then before the Hearing Panel.

10.2 Selection of Hearing Panel

- (1) Upon the issuance of a Notice of Hearing, the Secretary shall select from the members of the Hearing Committee for the jurisdiction in which the hearing will be held:
 - (a) one member of the Hearing Committee who is or was a member of the Law Society for that jurisdiction and this person shall act as chair of the Hearing Panel; and
 - (b) two members of the Hearing Committee, at least one of whom shall be a current or

former director, officer, partner or employee of a Participant or a Non-Dealer Subscriber.

- (2) The Secretary shall not select any person to be a member of a Hearing Panel who is precluded from acting in such capacity by reason of:
 - (a) subsection (2) of Rule 10.6;
 - (b) any statutory requirement applicable to the jurisdiction in which the hearing will be held; or
 - (c) any requirement in the recognition order or registration under applicable securities legislation of the relevant marketplace.

- (4) The disposition of the matter by the Board shall be included in the permanent record of the Market Regulator in respect of the person that is the subject of the hearing and appeal.
- (5) The Market Regulator shall publish a summary of the decision and order of the Board, including:
 - (a) the Requirement contravened or alleged to be contravened,
 - (b) the facts, and
 - (c) the disposition of the matter, including any penalty or remedy imposed and any expenses assessed.

Part 11 – Appeals

11.1 Commencement of Appeal

- (1) Subject to Rule 10.6, any party to a hearing may appeal a determination, order or interim order of the Hearing Panel by serving on the Secretary and each of the parties to the hearing a written Notice of Appeal within 30 days from the date the party serving the Notice of Appeal was served with the order of the Hearing Panel pursuant to section 9.6.
- (2) The Notice of Appeal shall contain the grounds of the appeal together with a summary of the supporting reasons for the appeal.
- (3) Within 20 days following the date the Secretary was served with the Notice of Appeal, the Secretary shall establish a date for the appeal and notify in writing each party to the hearing of the date, time and place for the appeal.
- (4) Unless all parties to the hearing otherwise agree in writing, the date established for the appeal shall not be later than 15 days following the date the Secretary provides the notice in accordance with subsection (3).

11.2 Conduct of Appeal

- (1) On an appeal, the Board must consider the record of the hearing and may consider any new evidence that the Board determines appropriate under the circumstances.
- (2) The Board shall give its final decision and order, if any, in an appeal in writing and shall give reasons in writing therefore if requested by a party.
- (3) The Board shall send to each party to the hearing a copy of its final decision and order, if any, including the reasons therefore if any have been given by any method of service permitted under section 1.4.

Universal Market Integrity Rules for Canadian Marketplaces

APPENDIX D

LIST OF COMMENTATORS ON THE UNIVERSAL MARKET INTEGRITY RULES

On April 20, 2001, the TS Regulation Services ("RS") issued Regulatory Notice No. 2001-011 and The Canadian Venture Exchange ("CDNX") issued a notice requesting comments on draft rules entitled "Universal Market Integrity Rules" ("UMIR") that were formulated jointly by CDNX and RS. Concurrent with the publication of UMIR, the Canadian Securities Administrators ("CSA") issued Request for Comment 23-401, published at (2001) 24 OSCB 2555, that specifically sought comment on twelve questions related to UMIR and its application.

The following persons or organizations submitted comment letters in response to the Request for Comments by RS and CDNX or in response to the Request for Comments issued by the CSA:

- 1 Bank of Canada - Ron Parker, Chief, Financial Market Department, Bank of Canada / Bill Mitchell, Director, Financial Markets Division, Department of Finance
- 2 Barclays Global Investors ("BGI") - Gerry Rocchi, Managing Director/President
- 3 Jerry Bayer - Yorkton Securities Inc.
- 4 Bloomberg LP ("Bloomberg") - Kevin M. Foley
- 5 BMO Nesbitt Burns Inc. ("BMO") - Eric Tripp, Vice Chairman, Equity Division
- 6 Bourse de Montréal ("BDM") - Johanne Dupont, Legal Counsel
- 7 Canadian Securities Traders Association ("CSTA") - Diane Peto, Chairman
- 8 CIBC World Markets Inc. ("CIBC") - Suky Ing, Executive Director
- 9 E*Trade Canada Securities Corporation ("E*Trade") - Colleen Moorehead, President
- 10 Hospitals of Ontario Pension Board ("HOPP") - Marion R. Herron, Manager, Equity Trading
- 11 Instinet Canada Limited ("Instinet") - Joie P. Watts, Managing Director
- 12 Investment Dealers Association of Canada ("IDA Capital Markets Committee") - Phipps Lounsbury, Chair
- 13 Investment Dealers Association of Canada ("IDA Equity Trading Committee") - W. Moriarty, Chair

- 14 ITG Canada Corp. ("ITG") - Ken Hight, President and CEO
- 15 Merrill Lynch Canada Inc. ("ML") - Gerald Throop, Executive Vice President and Managing Director Equity Markets Group
- 16 National Bank Financial Inc. ("NBF") - L. Haber, Executive Vice President
- 17 Ontario Teachers' Pension Plan Board ("Teachers") - Morgan McCague, Senior Vice President, Quantitative Investments
- 18 Power Budd LLP - James Boyle
- 19 Raymond James Ltd. ("RJL") - Peter A. Erglis, Registered Trader
- 20 RBC Dominion Securities ("RBC") - John Reilly, Managing Director, Global Equity
- 21 TD Newcrest, a division of TD Securities Inc. ("TD") - Bob Dorrance, Vice Chair, Institutional Equities / Mark Faircloth, Vice Chair Debt Capital Markets
- 22 TD Quantitative Capital ("TDQC") - Enrique M.I. Cuyegkeng, Managing Director
- 23 Union Securities Ltd. - Dimitrious Nasirpour
- 24 Wolverton Securities Ltd. ("WSL") - Joan Rogers

Universal Market Integrity Rules for Canadian Marketplaces

APPENDIX E

GENERAL COMMENTS ON UMIR

Reference	Commentator and Comment	Response
Comments on Scope and Content		
Comment Period	<p>Barclays Global Investors ("BGI") - Comment period insufficient for such a complex proposal.</p> <p>BMO Nesbitt Burns ("BMO") - Comments should be disseminated and action taken only after a suitable review period.</p> <p>E*Trade Canada Securities Corporation ("E*Trade") - Impossible to make meaningful comment on UMIR until CSA clarifies status of the ATS Proposal. Moved away from meaningful consultations with all industry. If UMIR is revised to accommodate the final version of the ATS rules, will other marketplace participants be offered the same opportunity to respond?</p> <p>Ontario Teachers' Pension Plan Board ("Teachers") - Comment period insufficient to evaluate impact on derivative and bond markets.</p>	<p>While initially issued on April 20, 2001 for a 30-day comment period, the comment period was extended until July 15, 2001. All commentators were advised in writing of the extensions of time and given the opportunity to supplement any submissions that had been made. Public notice of the extension of time was provided by both RS and CDNX.</p> <p>The timetable for the submission of comments was dictated in part by the desire of the CSA to be in a position to publish the final version of the ATS Rules. The final version of the ATS Rules was published on August 17, 2001.</p>
Cost of Regulation	<p>RBC Dominion Securities Inc. ("RBC") - Will the cost of the Market Regulator be borne by the marketplace or dealer or will there be a legislated fee added to every trade similar to the OSC fee?</p>	<p>It is anticipated that each marketplaces will bear a portion of the cost of regulation in accordance with a formula based on value traded, volume traded and number of orders. The marketplace will be given the option of paying the regulation fee attributable to that marketplace or collecting the fee from the Participants in the marketplace based on the same formula.</p>
Data Consolidator	<p>Jerry Bayer (Yorkton Securities Ltd.) - Without a data consolidator, may not be able to effectively execute short sales.</p> <p>BMO - Best execution standards can not be reliably meet without the data consolidator and market integrator.</p> <p>E*Trade - If there is no Data Consolidator, will CSA require enhancement of the Canadian Exchange Group dissemination of information to minimize costs to the industry?</p>	<p>The ATS Rule replaces the "data consolidator" with an "information processor". Prior to January 1, 2004, the requirement to provide order and trade information to an information processor may also be satisfied by providing such information to an "information vendor". UMIR has been amended to permit a Participant to rely on a "consolidated feed" prepared by an information processor or information vendor in determining "best execution", "best prices" and "last sale prices". An amendment to UMIR will be required by January 1, 2004 when the form of market integration contemplated by the ATS Rule is determined.</p>
Extraterritoriality	<p>Bloomberg LP ("Bloomberg") - UMIR should clearly articulate the extent to which the rules are meant to apply outside of Canada or to securities of non-Canadian issuers.</p>	<p>UMIR is intended to apply to Canadian marketplaces and to persons with access to trading in those marketplaces. UMIR will therefore apply to securities of non-Canadian issuers traded on Canadian marketplaces but will not apply to the trading of securities of Canadian issuers in market outside of Canada. UMIR will not apply to trading of securities on certain Canadian marketplaces if the trading of securities is governed by rules of another regulation service provider in accordance with the Final ATS Rules.</p>
Market Development	<p>BGI - UMIR will hamper formation of ATSS - competitiveness was not considered and sole consideration appears to be market integrity.</p>	<p>The objective of UMIR was to create a single "code" for the market integrity rules governing marketplaces in Canada. UMIR specifically</p>

Reference	Commentator and Comment	Response
	<p>Bloomberg – Not all ATSs are alike and are really a new "kind of broker" that should not be hampered by over-regulation. The ability of "agency-broker ATSs" to introduce new features should be encouraged.</p> <p>E*Trade – UMIR appears to be designed to maintain the status quo and does not foster competitiveness. However, concerned that UMIR would permit orders to be routed to ATS in the United States thereby avoiding the application of UMIR and CSA Trading Rules. CSA can adopt uniform standards for market integrity without dictating a single way for marketplaces to carry on business in Canada.</p> <p>Instinet Canada Limited ("Instinet") – The standard under UMIR is unaccountably higher for competing Canadian marketplaces than for foreign. May discourage foreign marketplaces from subjecting themselves to regulation under Rule ATS.</p> <p>National Bank Financial ("NBF") – Issues related to market structure must be addressed prior to resolving issues of regulation. Different securities may require different market models and rules.</p> <p>RBC – Believe that UMIR has been biased towards a particular marketplace (the TSE) as it is more important to regulate the integration of markets as opposed to protecting the current marketplaces from competition.</p> <p>Teachers – Thrust is toward market integrity with little attention to competitiveness. UMIR has the potential to significantly reduce the ability and incentives of ATS to innovate.</p>	<p>recognizes that certain of the rules have to be modified to incorporate the particular workings of a marketplace (e.g. exchanges are authorized to provide liquidity guarantees and, as such, exemptions from the short sale rule were provided to accommodate the workings of the market-making system on the existing exchanges).</p> <p>It was not intended that UMIR be a static document. Instead, as a code of market integrity rules, UMIR would evolve with the development of the marketplaces and would ensure that each marketplace was subject to a "level playing field". A common set of integrity rules would facilitate the market integration contemplated by the Final ATS Rule.</p>
<p>Market Regulator Independence</p>	<p>Bloomberg – CSA should set standards for the organization and governance of Market Regulators so that marketplaces and participants will have confidence that the approach to regulation will be consistent and even-handed.</p> <p>BMO – Prefer an independent body to provide market regulation.</p> <p>E*Trade – Rulemaking process itself is unfair, with the advantage given to the TSE. Independent body, such as the CSA, should write the rules.</p> <p>Power Budd LLP - Supports the proposal to create a stand-alone regulator, particularly as it will utilize the expertise of recognized SROs.</p> <p>Raymond James Ltd. ("RJL") – A majority of the board of the Market Regulator should be from industry but represent a participant whose presence would not be influential to the operations of any particular exchange or potential ATS.</p> <p>RBC - A single Market Regulator must be independent and not favour one marketplace or structure.</p>	<p>Under the Final ATS Rule, a "regulation service provider" must be recognized as an exchange, quotation and trade reporting system or a self-regulatory body or self-regulatory organization. RS Inc. has applied to be recognized as a self-regulatory organization in Ontario, British Columbia, Alberta, Manitoba and Québec. That application will be the subject of a separate request for comments by the securities regulators in those jurisdictions.</p>
<p>Participant and Non-Dealer Subscribers</p>	<p>BGI and Hospital of Ontario Pension Plan ("HOOPP") - Affiliates of dealers should be treated the same as any other Non-Dealer Subscribers.</p> <p>RJL – Non-Dealer Subscribers should be</p>	<p>The definition of "Non-Dealer Subscriber" has been amended to eliminate the distinction between affiliates of dealers and other Non-Dealer Subscribers.</p> <p>UMIR continues to require that Dealers (whether</p>

Reference	Commentator and Comment	Response
	<p>subject to the best execution and best price obligations.</p> <p>RBC- Non-Dealer Subscribers should be subject to rules on order entry, order designation, trading supervision, proficiency and principal trading.</p> <p>Instinet - Dealers who are subscribers should be treated as clients for the purposes of the client priority rules.</p>	<p>subscribers to an ATS or a member of an exchange) provide priority to client orders that were entered prior to principal or non-client orders regardless of the marketplace on which the principal or non-client orders are entered.</p> <p>While the present version of UMIR does not propose it, consideration will be given to whether it would be appropriate to extend the definition of "Participant" to include other categories of registrants under securities legislation in addition to dealers.</p>
VWAP	CIBC World Markets - UMIR should permit trading on ATSS of products similar to the VWAP under TSE Rules.	The definition of "Volume-Weighted Average Price Order" contained in the original version of UMIR permitted such orders on a marketplace other than an Exchange. The definition has been continued in the current version of UMIR.
<i>Comments on Specific Rules</i>		
Appeals	Instinet - Should clarify that "marketplace" is a person directly affected for the purposes of being able to obtain a review (which should be treated as a "trial de novo" rather than an appellate review).	As an SRO, the right of appeal or review of a decision of the Market Regulator will be established by the applicable securities legislation. The provision included in UMIR corresponds to the current legislative language and the provision was included for the sole purpose of indicating that appeal and review rights existed.
Best Execution	<p>BGI and HOOPP - "Best execution" is an improvement from "best execution price: but needs specific indicia like price versus timeliness and price versus depth of market.</p> <p>Canadian Securities Traders Association, Inc. ("CSTA") - What are "reasonable steps" taking into account "the condition of the market".</p> <p>RBC - Best execution may put an undue burden on the dealer to seek out a better price in another marketplace leading to market fragmentation. The requirement for order exposure is in conflict with the best execution obligation.</p> <p>Bloomberg - The requirement of dealers to guarantee prices for withheld orders may discourage any approach other than an immediate presentation of a large order. ATSS that operate as "agency brokers" should not be subject to the affirmative best-execution obligations of a full-service brokerage. Responsibility for best execution with rest with use of an ATS that affects a customer order.</p> <p>Instinet - Orders should go to the marketplace where the client gets the best "all in" price taking into account commissions as well as transaction costs.</p> <p>TD - Clients, on a transaction by transaction basis, should determine whether "best price" or "fastest execution" represents "best execution".</p>	<p>The concept of "best execution of client orders" is not absolute. Under the "best execution" rule there is no requirement to "guarantee prices". The "guarantee" comes under the rule related to the exposure of client orders where withholding of "small" orders (of less than 50 standard trading units) may attract a guarantee that the price ultimately received by the client is not less than the price the client would have received if the order had been immediately entered as otherwise required by the order exposure rule. If a dealer believes that the best execution of the client order may be achieved other than by immediate exposure to the market, the dealer may fulfill its best execution obligations in this fashion.</p> <p>The rule as drafted permits the client to establish "most advantageous terms" as a combination of price and speed of execution.</p> <p>A dealer must be able to defend the steps it has taken in pursuing the execution of the client's order as being in the best interests of the client in light of market conditions.</p> <p>Unlike transaction fees established by a marketplace, commissions charged by the dealer to its client will be the subject of agreement between the dealer and client. UMIR does not purport to regulate commission fees except to the extent that commissions are used to vary the reported transaction price on a marketplace.</p>
Client/Principal Trading	<p>CSTA and HOOPP - Supports notion that "price improvement" is dependent upon the depth of the market.</p> <p>RBC - Anti-competitive to allow other dealers to fill client orders at current best bid/offer while requiring principal to improve the price.</p>	The requirement to improve the price for the client is the mechanism to demonstrate "best execution" of the client order in the absence of exposure of the order to the market.
Continuous Disclosure	BMO - CSA should retain responsibility for continuous/timely disclosure with the Market Regulator responsible for ensuring that all	Continuous and timely disclosure is the cornerstone on which a fair and orderly market is built. While the current version of UMIR does not incorporate

SRO Notices and Disciplinary Decisions

Reference	Commentator and Comment	Response
	<p>marketplaces have the same criteria and mechanisms for dealing with breaches.</p> <p>NBF - Exchanges must co-ordinate the halting and reopening of securities for the issue of a press release by the issuer.</p>	<p>provisions related to timely disclosure, consideration is being given to whether a common policy applicable in all marketplaces would be an appropriate addition to UMIR.</p>
<p>Definitions</p>	<p>Bourse de Montréal Inc. ("BDM") - Suggests a number of technical changes to the definitions, but in particular wishes to limit the definition of a "related security" to one which varies "in accordance with" rather than merely "materially" with movement in the price of the underlying security and to provide that the mere ownership of an option should be deemed ownership of the underlying security for the purpose of the definition of a "short sale".</p>	<p>Given the diversity of financial instruments available, a definition of "related security" which imposes a test higher than varying "materially" with the underlying security would not be sufficiently flexible.</p> <p>Ownership of an option is not sufficient to establish "economic ownership" of the underlying security. If a call option has been exercised or a put option has been assigned, the current definition would permit a sale of the underlying security.</p>
<p>Designations and Identifiers</p>	<p>CSTA and HOOPP - For reporting purposes only, the requirement for identifiers should be extended to clients.</p> <p>Instinet - Should clarify the obligation of marketplace to capture and convey information to the data consolidator and that none of the information need be made public except through the consolidated market display. Should not have to enforce the obligations of another marketplace.</p>	<p>Given the number of subscribers that may exist, maintenance of distinct identifiers may not be practicable at the time of order entry. However, the client identifier must be provided as part of the audit trail.</p> <p>UMIR has been amended to clarify that order designations (other than for a Special Terms Order) will not be disclosed in a consolidated display. The Draft ATS Rule addressed the information to be included in the consolidated display but these provisions have been omitted from the Final ATS Rule.</p> <p>The requirement that orders for securities listed on the TSE contain the order designations required by the TSE has been deleted. However, to the extent that the orders do not contain appropriate designations, orders originating in other marketplaces may be assigned "default options" that would impact on their ability to trade on the TSE.</p>
<p>Display Requirements</p>	<p>Bloomberg - Dealers should be allowed to use an ATS and have the ATS identify itself in the public display in order to allow for anonymity.</p>	<p>Under UMIR, each marketplace will be able to determine whether the identifier of the Participant or ATS is disclosed in a consolidated market display.</p>
<p>Enforcement</p>	<p>CSTA - Should be different levels of penalties that account for the severity of the offence.</p>	<p>UMIR establishes the parameters for penalties. It will be for each Hearing Panel making an order in a disciplinary or enforcement matter to determine the appropriate penalty or remedy based on the circumstances of the matter. Any party (including the Market Regulator) may appeal the penalty or remedy imposed by a Hearing Panel.</p>
<p>Exchange of Information</p>	<p>BDM - What is the basis to allow for the exchange of information? Will MOUs be executed?</p> <p>Instinet - Information provided to the Market Regulator should be used only for enforcement and compliance purposes. No Market Regulator should be able to supply information obtained to an affiliated stock exchange.</p>	<p>Section 7.5 of the National Instrument 23-101 requires that each regulation service provider enter into a written agreement with all other regulation services providers, recognized exchanges and recognized quotation and trade reporting system to co-ordinate monitoring and enforcement requirements. In addition, UMIR provides that information may be provided for regulatory purposes to self-regulatory entities and securities regulatory authorities in Canada and foreign jurisdictions.</p>
<p>Frontrunning</p>	<p>BDM - Frontrunning restrictions should apply to all unentered orders (and not just client orders)</p> <p>Bloomberg - Dealers and institutional investors should be able to agree when a dealer will be permitted to trade alongside of, or even ahead of, the customer in the course</p>	<p>Frontrunning is limited to those persons with knowledge of unentered orders from their clients.</p> <p>Unlike the client priority rules that specifically allow the client to consent to the principal trading ahead of or along-side the client order, the distinguishing factor under the frontrunning rule is the fact that the client's order could reasonably be expected to affect</p>

Reference	Commentator and Comment	Response
	of facilitating a customer's order.	the market price. In these circumstances, the firm should not be able to profit from knowledge of one client's intention, particularly at the expense of other clients of the same firm.
Jitney Trading	CSTA and HOOPP - Opposed to the practice of one broker trading under another broker's number.	While UMIR will not prohibit "jitney trading", the identifier of the Participant placing the jitney order must be disclosed to the Market Regulator as part of the audit trail requirements.
Just and Equitable	BDM - Should replace with the concept of "integrity and transparency". HOOPP - Need to define the concept as the absence of specifically prescribed list of activities. Instinet - Application of concept to Non-Dealer Subscribers is unclear.	Exchanges have for a considerable period of time maintained a requirement for dealers to trade in accordance with just and equitable principles of trade. While the concept is vague, it is nonetheless a "general anti-avoidance" concept. Conduct, particularly a consistent pattern, that in and of itself does not constitute a violation of a specific rule may nonetheless be considered a violation of the "just and equitable principles" of trade. It is proposed that certain examples be provided in the accompanying Policy to UMIR.
Liability	BDM - Should include a provision concerning the liability or the exclusion of liability for Non-Dealer Subscribers. Instinet - Orders should be binding on the persons making them rather than on the marketplace.	The integrity of the market requires that trades be honoured. Dealers have assumed this responsibility as members of an exchange and as the only parties with access to the trading system of exchanges. As each ATS will be a dealer, UMIR imposes on the ATS the liability for orders given by their Non-Dealer Subscribers. If all orders entered on an ATS are inter-mediated by a dealer, the ATS would have no additional liability.
Manipulative and Deceptive Methods of Trading	BDM - concept of "change in economic ownership" should be defined and a price should be considered artificial if it not justified by "market conditions" rather than "real demand or supply" CSTA - Fraud provisions should be included in UMIR. With respect to "price manipulation" problems may arise due to the different processing speeds of connecting ATSs. HOOPP - Supports prohibition on manipulative trading practices but "deceptive" should be removed.	"Market conditions" would include the markets response to the attempted manipulation. The concept of "real demand and supply" is an attempt to remove the response to the manipulation from consideration as well as the actual manipulative orders or trades. It remains the view of RS and CDNX that fraud is not properly included in trading rules as such behaviour is not regulatory in nature but rather an "offence" to be dealt with in court proceedings. UMIR retains the concept of "deceptive" trading methods as it can cover a number of trading practices that would not have the effect of "manipulating" the market price. For example, trades with no change in beneficial ownership would be considered "deceptive" even if the trades occurred at the prevailing market prices.
Order Exposure	CSTA - The internalization of order flow should not be permitted. HOOPP - Market depth and liquidity better achieved through time priority for all orders. Internalization of orders should only be allowed when the pro betters the price the client would otherwise realize.	Under UMIR, client orders of 50 standard trading units or less due not have to exposed to a marketplace if the order is executed upon receipt by the Participant at a "better price". Each marketplace will be able to establish its own rules for the allocation of trades. There is no requirement under UMIR that a particular allocation formula be adopted. Each marketplace will have to satisfy the applicable securities regulatory authorities as to the fairness of any allocation formula adopted.
Regulatory Halts	CSTA and HOOPP - Supports inter-market regulatory halts. What processes will be in place to ensure notice?	It is anticipated that the Market Regulator will issue real time tickers/bulletins with respect to regulatory halts. It is also anticipated that halts will be enforced across marketplaces by the Market Regulator inputting the trading halts into the trading systems of the marketplaces for which the Market Regulator is the regulation service provider.
Rule Amendments	BDM - Set out procedures for rule	As an SRO, the amendment of UMIR will be

Reference	Commentator and Comment	Response
	amendments.	governed by the procedure adopted by the applicable securities regulatory authorities. The procedure will be part of a separate request for comments to be issued by the CSA.
Short Sales	Bloomberg – Short sale restrictions should not apply to large-capitalization companies with substantial average daily volumes. HOOPP – Should be an exemption for dealer principal markets. Short sale may not be applicable to debt markets. Should be further discussion to broaden the number of exemptions or to eliminate the rule.	UMIR generally will not apply to the unlisted debt market. The short sale rule would apply to trading in listed debt. While UMIR has not been drafted to exempt highly liquid stocks from the short sale rule, consideration should be given to expanding the exemption based on trading patterns that emerge with the introduction of multiple marketplaces for listed securities.
Transaction Fees	TD – Participants should not be allowed to take into account differences in transaction fees when determining which marketplace offers the "best price".	A Participant in pursuit of the "best price" for a client should not be forced to pay a transaction fee for execution of the order in a particular market which when passed on to the client results in a lower net than would have been received if the order had been executed at a lower price in a marketplace that charged a significantly lower transaction fee or no fee at all.

Universal Market Integrity Rules for Canadian Marketplaces

APPENDIX F

COMMENTS ON UMIR IN RESPONSE TO CDNX/RS QUESTIONS

Reference	Commentator and Comment	Response
<p>Universal Application - Is it acceptable to have multiple Market Regulators if there is a single set of market integrity rules applicable in all marketplaces?</p>	<p>Barclays Global Investors ("BGI"), Hospital of Ontario Pension Plan ("HOOPP"), TD Quantitative Capital ("TDQC") and Wolverton Securities Ltd. ("WSL") - No.</p> <p>BMO Nesbitt Burns ("BMO"), ITG Canada Corp. ("ITG"), Merrill Lynch Canada Inc. ("ML") and National Bank Financial ("NBF") - Prefer a single, independent regulator enforcing standard integrity rules.</p> <p>Canadian Securities Trader Association ("CSTA") - No benefit to multiple Market Regulators (except to recognize different types of securities - e.g. equities, fixed income, debt and derivatives).</p> <p>CIBC World Markets ("CIBC"), Instinet Canada Limited ("Instinet"), RBC Dominion Securities Inc. ("RBC") and TD Newcrest (TD) - Yes.</p>	<p>While there was a general consensus that a single Market Regulator would be preferable, UMIR has been drafted recognizing that there may be multiple Market Regulators.</p>
<p>Universal Application - How would overall market integrity be assured in an "integrated market" if each Market Regulator adopts different standards and rules to govern trading in their particular marketplace?</p>	<p>Bloomberg LP ("Bloomberg") - Further consideration necessary on whether fair and orderly marketplaces require universal rules.</p> <p>BMO - Common standards, particularly for fraud and manipulation.</p> <p>CSTA - Even with multiple Market Regulators, should be only one set of rules that is reviewed annually for effectiveness.</p> <p>CIBC - UMIR should apply.</p> <p>HOOPP and TDQC - Oversight by a single regulator.</p> <p>Raymond James Ltd. ("RJL") - Ensure all rule changes are communicated to participants in a fair and timely fashion.</p> <p>RBC - While difficult to maintain overall integrity, no different than the current environment with different standards in multiple jurisdictions.</p> <p>TD - Marketplaces should be able to compete by providing different market regulation.</p>	<p>UMIR has been constructed to be a "framework" which would recognize particular aspects of each different marketplaces and different securities. It does not attempt to provide the same rule for "all" but to be a "code" which contains all applicable rules.</p>
<p>Extent of Jurisdiction of Market Regulator - Is it appropriate for a Market Regulator to have enforcement and disciplinary jurisdiction over subscribers who are not dealers under applicable securities legislation? In particular, if retail investors or non-residents are subscribers to an ATS should the jurisdiction of the Market Regulator extend to such persons?</p>	<p>BGI, HOOPP, Instinet and ITG - Market Regulator should not have jurisdiction. Current role of registrants as "gatekeepers" works.</p> <p>BMO, CIBC, RBC, TDQC and WSL - Yes. Market Regulator should have jurisdiction over all direct marketplace participants.</p> <p>CSTA - Non-Dealer Subscribers should be regulated directly by the Market Regulator.</p> <p>TD - Jurisdiction over subscribers should reside exclusively with CSA.</p> <p>Bloomberg - No. Defer regulation of institutional investors.</p>	<p>National Instrument 23-101 proposes to exempt an ATS from the audit trail requirements imposed on other dealers. As such, an ATS will not be fulfilling the "gatekeeper" role imposed on other securities dealers. For this reason, UMIR has retained the provision that would provide jurisdiction to the Market Regulator for enforcement and disciplinary proceedings over all direct marketplace participants.</p>
<p>Extent of Jurisdiction of Market Regulator - What should be the responsibility of the ATS in these</p>	<p>BMO and TD - ATS should provide a copy of the trading rules and the subscriber should acknowledge they have received and understood the rules and will adhere to them.</p>	<p>National Instrument 21-101 does not propose to divide alternative trading systems along functional lines based on the services which they will provide to their</p>

Reference	Commentator and Comment	Response
<p>circumstances?</p>	<p>CSTA and HOOPP - ATS to ensure users trained in and adhere to UMIR. Obligation of broker to monitor clients with direct access to ATS.</p> <p>Instinet - ATS should simply make Non-Dealer Subscriber aware of the rules without training them on compliance.</p> <p>WSL - Obligation of ATS should be that of a "dealer".</p> <p>Bloomberg - An ATS that functions as an "agency broker" should not be asked to undertake regulatory duties.</p> <p>IDA Capital Markets Committee - Market Regulator should regulate exchanges and ATS and each individual marketplace should be responsible for the market conduct of Non-Dealer Subscribers.</p>	<p>subscribers (e.g. an "agency" that routes orders) or on the basis of the identity of subscribers (e.g. limited to the participation of dealers or other registrants). UMIR therefore continues the proposal that the ATS ensure that subscribers are trained in the integrity rules.</p>
<p>Extent of Jurisdiction of Market Regulator - Should a marketplace be permitted to have more than one Market Regulator provided each Market Regulator applies the same set of integrity rules?</p>	<p>BMO - Yes, if rules are uniform and applied in an identical manner.</p> <p>CIBC - Yes, one for each equities, debt and derivatives.</p> <p>RBC - Yes, but should not be required to have more than one.</p> <p>WSL - No.</p>	<p>UMIR contemplated the possibility of multiple regulation service providers. UMIR has been expanded to recognize that UMIR does not apply if the order and trade have been made in accordance with the rules of an exchange or quotation and trade reporting system that has adopted integrity rules other than UMIR or on a marketplace that has adopted the rules of another regulation service provider.</p>
<p>Supervision of Trading and Proficiency - As a dealer, should an ATS have "compliance responsibility" for monitoring trading activity of subscribers who are not dealers?</p>	<p>BGI, CIBC and RBC - No.</p> <p>BMO - Responsibility should vary depending on size and sophistication of the client.</p> <p>CSTA, HOOPP, ML and WSL - Yes. An ATS should be responsible and accountable for all users of its system.</p> <p>Instinet - No, ATS may not govern the conduct of subscribers other than conduct in respect of trading by those subscribers.</p> <p>RBC - A participant operating a marketplace should have compliance responsibility.</p> <p>TDQC - Compliance responsibility should be with Market Regulator.</p>	<p>Under National Instrument 21-101, an ATS will be able to abdicate its responsibilities to subscribers by providing disclosure that, notwithstanding the registration of the ATS as a dealer under securities legislation, it does not ensure best execution for its subscribers. UMIR proposes that trading supervision obligations be imposed on dealers that are Participants (see in particular Rule 7.2 and the related policy). To the extent that "compliance" is not being performed by an ATS directly, the ATS should be obtain such services from or through its regulation service provider.</p>
<p>Supervision of Trading and Proficiency - Should subscribers to an ATS who are not dealers be limited to "trading for their own account"?</p>	<p>CSTA, CIBC and WSL - Yes</p> <p>BGI, BMO, HOOPP and TDQC - Yes, provided registered investment advisors are deemed to be trading for their own accounts.</p> <p>Instinet - Yes, provided investment counsel trading with discretion and mutual funds are both deemed to be trading for their own account.</p> <p>ML - No. Unfair to US broker-dealers and money managers.</p> <p>RBC - Should be able to trade on behalf of anyone for whom they have a fiduciary responsibility.</p> <p>TD - Unlikely to have pure agency trading. Mutual funds, portfolio managers, insurance companies and trust companies managing segregated funds should all be capable of being subscribers.</p>	<p>Neither National Instrument 21-101 nor 23-101 addressed the question of the capacity of the "Non-Dealer Subscriber". If subscribers to an ATS can trade other than for their own account, information respecting those orders and trades should be to the audit trail requirements. In such circumstances, it may also be desirable to extend to such subscribers a number of the specific rules that would apply in agency-principal situations and, in particular, those rules related to best execution obligations and order exposure.</p>
<p>Supervision of Trading and Proficiency - To what extent should "subscribers" be considered "clients" of the ATS in its capacity as a dealer?</p>	<p>BGI, Instinet and RBC - Subscribers should always be considered to be clients of an ATS.</p> <p>BMO - If ATS elects to be regulated as a dealer, subscribers should be considered clients. However, with client priority rules, dealers and non-dealer subscribers will not be treated equally.</p> <p>CSTA and HOOPP - All subscribers should be considered "clients" unless trading as a "principal".</p>	<p>Under National Instrument 21-101, an ATS will be able to abdicate its responsibilities to subscribers by providing disclosure that, notwithstanding the registration of the ATS as a dealer under securities legislation, it does not ensure best execution for its subscribers.</p>

Reference	Commentator and Comment	Response
	<p>CIBC - All persons with access should meet specific training and proficiency requirements.</p> <p>WSL - An ATS should be regulated in same way as a dealer if they take on unregistered subscribers.</p>	
<p>Order Exposure - Are the proposed exemptions from the requirement to expose client orders appropriate?</p>	<p>CSTA, HOOPP, Instinet, ML, RJL, RBC and WSL - Yes.</p> <p>BGI - Yes, but exemption needed for "crossing" and client instruction.</p> <p>TD - Yes, but the exemption for wide distributions is inappropriate as it benefits the TSE only.</p> <p>TDQC - Yes, but additional exemption needed for "crossing".</p> <p>BDM and NBF - No. Order exposure rule may not be appropriate for options or derivative instruments.</p>	<p>The purpose of the order exposure rule is to ensure liquidity in the market by requiring orders below a certain size to be entered directly on a marketplace. Whether the orders are entered as a "cross" or cross on entry with other orders from the same firm goes to the business functionality of each marketplace. If the client order "crosses" in a principal trade with the Participant, it must be at a "better price" which is an exception to the order exposure rule. UMIR contains a provision that the client may instruct that an order no be immediately exposed.</p>
<p>Order Exposure - Is a variable threshold preferable to a fixed dollar amount (e.g. \$100,000 as proposed in the CSA Trading Rules) or fixed share amount (e.g. 1,200 shares as in the present TSE Rules)?</p>	<p>BMO, CIBC and TD - Thresholds too high. Prefer fixed share amount.</p> <p>HOOPP - Maintain the status quo</p> <p>Instinet, NBF, RJL and RBC - Yes.</p> <p>ITG and TDQC - No, prefer fixed dollar amount (\$100,000).</p> <p>ML - No, prefer a fixed dollar amount (\$50,000).</p> <p>WSL - No, prefer a fixed dollar amount (scaled for junior and senior securities).</p>	<p>While a fixed share amount is attractive from the perspective of ease of compliance, it ignores the difference in markets and types of securities. For example, the average share price traded on the TSE has in recent years been approximately \$20 as compared to an average share price on CDNX of less than \$0.50.</p>
<p>Client/Principal Trading - Is it appropriate to retain the \$100,000 "cap" originally proposed in the CSA Trading Rules?</p>	<p>CSTA and HOOPP - Yes</p> <p>CIBC - No. Combine order exposure and client-principal rules but review the need for such rules in a penny increment environment. Remove \$100,000 cap.</p> <p>BMO - Prefer fixed share amount as threshold. Concerned that the extension of the "in-house" client priority will be unworkable with multiple disparate trading systems.</p> <p>NBF - No. Should be appropriate to the instrument being traded and the instrument's liquidity.</p> <p>RBC - No. Dealers should be able to execute any order at the best price.</p> <p>BDM - Restrictions should not apply to derivative instruments.</p>	<p>UMIR has retained the \$100,000 cap on orders for which a Participant must give "price improvement" in order to execute a client order against a principal order. Orders for more than 50 standard trading units or with a value of \$100,000 or more will be subject to the "best execution" obligation of the Participant. For this reason, subsection (2) of Rule 8.1 as originally proposed has been deleted as essentially duplicative of the "best execution" obligations.</p>
<p>Client/Principal Trading - Is a variable threshold preferable to a fixed dollar amount (e.g. \$100,00 as proposed in the CSA Trading Rules) or fixed share amount (e.g. 5,000 shares as in the present TSE Rules)?</p>	<p>Instinet and RJL - Yes.</p> <p>CSTA - Prefer that present TSE rule be maintained.</p> <p>ML - No, prefer a fixed dollar amount (\$50,000).</p> <p>RBC - Oppose thresholds but, if necessary, a variable one preferable.</p> <p>TD - Threshold too high.</p> <p>WSL - No, prefer a fixed dollar amount (scaled for junior and senior securities).</p>	<p>While a fixed share amount is attractive from the perspective of ease of compliance, it ignores the difference in markets and types of securities. For example, the average share price traded on the TSE has in recent years been approximately \$20 as compared to an average share price on CDNX of less than \$0.50.</p>
<p>Order Designations - Are the proposed order designations and, in particular the requirement to mark orders by insiders and significant shareholders, appropriate?</p>	<p>CSTA - Yes</p> <p>HOOPP and ITG - Yes, if the designations are disclosed on entry only to the Market Regulator.</p> <p>CIBC, RBC and Teachers - No.</p> <p>BMO, ML and WSL - Dealers generally not privy to this information and responsibility should remain with investor to file insider trading reports.</p> <p>Instinet - Yes, but the insider, significant</p>	<p>UMIR originally proposed that orders for securities listed on the TSE comply with any additional order designation requirements of the TSE. This requirement has been deleted in light of comments. However, orders that are routed from a marketplace to the TSE without the appropriate designations may be assigned default values in accordance with TSE</p>

Reference	Commentator and Comment	Response
	<p>shareholder and other designation required by the Market Regulator are not appropriate.</p> <p>NBF - No. Disclosure could affect sales by large shareholder.</p> <p>TD - No, designations should be limited to current practice and should not enforce rules of a particular marketplace.</p> <p>TDQC - Trading activities of insiders and significant shareholders are already regulated. Marketplaces should be able to determine additional features that do not compromise fundamental rules.</p> <p>BDM - "Insider" and "significant shareholder" designations not appropriate for derivatives.</p>	<p>rules and this may affect the ability of the order to trade on the TSE.</p> <p>UMIR has retained the proposal to include "insider" and "significant shareholder" designations. Participants should be aware of this information as part of their "know your client" obligations. While a "post-trade" audit using information filed with securities regulators could be undertaken, a direct monitoring of market activity by these investors in real time is, in the opinion of RS, the most effective tool to demonstrate the existence of a fair and orderly market. (In appropriate circumstances, unusual price and volume volatility could be directly correlated by the Market Regulator with market activity by insiders or significant shareholders.)</p>
<p>Order Designations- Should the marketplace be allowed to decide whether the identification number of Participants is included in the consolidated market display?</p>	<p>BGI and ML - Identifiers should only be displayed to the Market Regulator and not to the consolidated display.</p> <p>BMO, Instinet, ITG, RBC and TD - Yes.</p> <p>CIBC - The Subscriber should be allowed to choose but the Market Regulator should have the ability to view all identifiers.</p> <p>HOOPP - Yes, but market would be better served with no identifiers.</p> <p>WSL - No, identifiers should be disclosed in all cases.</p>	<p>UMIR retains the proposal that each marketplace would have the option of determining whether Participant identifiers would be included in a consolidated market display.</p>
<p>Best Execution Obligation - Should a Special Terms Order be taken into account to establish the best available price?</p>	<p>BMO, CIBC, Instinet, ML, RJL, RBC, TD and WSL - No</p> <p>CSTA and HOOPP - Yes, if it meets some or all of the requirements of the inquiring order (but recognize limitations of current technology).</p> <p>ITG - Generally no, unless a pattern develops of avoiding best execution obligations through the use of Special Terms Orders.</p>	<p>UMIR retains the proposal that Special Terms Order be excluded from the establishment of "best" prices. UMIR has been amended to specifically provide that the designation for "Special Terms Order" be included in a consolidated display. All other order designations will only be for the use of the Market Regulator.</p>
<p>Best Execution Obligation - Should a dealer have an obligation imposed under UMIR to check market prices for a particular security trading on exchanges or organized markets outside of Canada before trading the security on a marketplace?</p>	<p>BMO and TD - Should not be mandatory, unless the client requests.</p> <p>CSTA and HOOPP - No, only when full market integration in Canada.</p> <p>RBC - No, but dealer should be held to best execution standard.</p> <p>CIBC, ML and NBF - No, foreign exchange problems.</p> <p>Union Securities Ltd. - No, due to possible delays, foreign currency problems and client complaints.</p> <p>Instinet - Yes, subject to client instructions.</p> <p>RJL and WSL - Yes.</p>	<p>UMIR retains the concept that a dealer is not required to check markets outside of Canada. However, one of the factors which will be taken into account when determining whether a Participant has used "reasonable efforts" to obtain best execution will be whether foreign markets were checked prior to execution, particularly when the foreign market is the principal market for the security.</p>
<p>Trading Increments - Should each marketplace be able to determine whether it will trade fractional shares and at prices less than a cent? Should this depend on the specific type of security being traded?</p>	<p>CSTA, RJL, TDQC and WSL - No, should not allow fractional shares or prices less than a cent.</p> <p>BMO, Instinet and RBC - Marketplace should determine.</p> <p>HOOP and ML - No, increments should be standardized at a cent.</p> <p>NBF - No, the concept of "better price" would be impossible to enforce if markets have different minimum ticks. Prices of less than a cent should be permitted only if "entire industry" follows suit.</p> <p>TD - No, minimum should be a cent for non-debt</p>	<p>In the near term, UMIR retains the requirement that the minimum increment is a cent.</p>

SRO Notices and Disciplinary Decisions

Reference	Commentator and Comment	Response
	<p>markets. BDM - Derivatives may eventually be traded in fractions of a cent. E*Trade - Prohibitions against fractional cents and shares prevents marketplaces from creating unique offerings and prevents diligent pursuit of execution on most advantageous terms for the client.</p>	
<p>Trading Increments - Should the matter be determined by the systems capacity of the data consolidator and/or data vendors?</p>	<p>Instinet - No. CSTA - No, unless there is a consensus that technological limitations will preclude it. BMO - No, but in the absence of an integrator or consolidator there would need to be a connection to all marketplaces. CIBC - Capacity should not be a problem.</p>	<p>In the absence of a data consolidator, the issuer will have to be addressed in the context of the establishment of a data integrator on or before January 1, 2004.</p>
<p>Short Sale Rule - Is a special mechanism required to govern the short sale of securities that are also listed on an exchange or traded on an organized market in the United States?</p>	<p>BMO, CIBC, Instinet, RBC and TD - No. CSTA and HOOPP - No, until full market integration in Canada. NBF - No, provided arbitrage selling is permitted. TDQC - Yes, given the number of inter-listed securities. WSL - Yes (either approval of the Market Regulator and/or noting the reasons on the trade ticket.)</p>	<p>The consensus of the comments was that a special mechanism would not be required for securities that are inter-listed with markets in the United States. No addition has been made to UMIR.</p>
<p>Short Sale Rule - What provision, if any, should be made for securities which are listed on exchanges in jurisdictions other than the United States?</p>	<p>BMO, CIBC, Instinet, RBC and TD - No provision. CSTA and HOOPP - No provision until full market integration. TDQC - Should be a provision given the number of inter-listed stocks. WSL - Either approval of the Market Regulator and/or noting the reasons on the trade ticket.</p>	<p>No special provision has been introduced into UMIR. In appropriate circumstances, an exemption from the short sale rule may be granted by the Market Regulator in accordance with Rule 11.3.</p>
<p>Definitions - Should the definition of "arbitrage account" be expanded to include client and non-client accounts?</p>	<p>CSTA, CIBC, HOOPP and Instinet - Yes BMO - Yes, provided the order is given to the same dealer or ATS and there is a time limit on gap between the two orders. ITG - Should be limited to buy-side institutions and other arm's length clients of a broker/dealer. NBF - Arbitrage selling should be permitted without the need for a special account as long as the purchase was made before the sale. RBC, TD and WSL - No.</p>	<p>No change has been made to the definition that requires that an arbitrage account be limited to a principal account. While any account will be able to engage in "arbitrage", the exemption to the short sale rule will only be available to principal accounts.</p>
<p>Definitions - Is the definition of "standard trading unit" appropriate, and in particular, should less than 100 shares be adopted as a standard trading unit for higher-priced securities (what number at what price level)?</p>	<p>Instinet, NBF, TD and WSL - Yes. BMO - Yes, there is no need to adopt special standard trading units for higher-priced securities at this time. CSTA and HOOPP - Yes, and modified only after a full consultation. RBC - Yes, but marketplaces should be able to trade in any size increment they wish.</p>	<p>The definition of standard trading unit has been retained and no provision has been made at this time for higher-priced securities. For equities, the smallest unit is 100 shares.</p>
<p>Continuous/Timely Disclosure - Should the requirements for disclosure be limited only to the issuers of securities listed on an Exchange or quoted on a recognized quotation and trade reporting system?</p>	<p>BMO, TDQC and WSL - Disclosure should apply to all issuers independent of where or how they trade. CSTA and HOOPP - Disclosure should be included in UMIR but be limited to listed and quoted securities. Instinet and TD - Yes.</p>	<p>Under the final version of National Instrument 21-101, an ATS will be limited to trading in exchange-traded securities and certain unlisted debt securities and foreign exchange-traded securities. As such, there is not a need to introduce a separate continuous/timely disclosure policy for domestic reporting issuers that would have otherwise been eligible to have their securities trade through an ATS under the July 2000 draft.</p>

Reference	Commentator and Comment	Response
<p>Continuous/Timely Disclosure - Should the disclosure requirements be standard or should each Exchange and recognized quotation and trade reporting system be able to establish their own policy?</p>	<p>ITG, TD and WSL - Standards should be uniform. BMO - Standard requirements best addressed by securities regulators. CSTA and HOOPP -- Standard requirements, including provisions related to halts and reopening. Instinet - Securities laws will set a minimum standard but in any event it is likely that the exchange will adopt uniform standards. RBC - The requirements should be at the discretion of the marketplace but administered by the Market Regulator.</p>	<p>The consensus of the commentators is that the requirements for continuous and timely disclosure should be standardized. Given the implications for the extension of these requirements, any proposal will be subject to a separate request for comments.</p>
<p>Negative Commissions/Payment for Order Flow - Comments are requested on whether "payment for order flow" by a marketplace should be prohibited, restricted or regulated in the context of UMIR.</p>	<p>CIBC - Should not be restricted. BMO - Should be allowed subject to appropriate restrictions and regulations. CSTA, HOOPP, ITG, RJL and TDQC - Should be prohibited. Instinet, IDA Equity Trading Committee and TD - Should be regulated as it is in the United States with disclosure to the client. RBC - US-based ATSS will have an unfair advantage in competing for correspondent execution business (due to their ability to pay for order flow). Should be permitted as long as full disclosure is made. WSL - Should be allowed if there is a "best price guarantee".</p>	<p>No provision has been added to UMIR to regulate, restrict or prohibit "payment for order flow". UMIR has retained the prohibition on negative commissions.</p>
<p>Application to Derivative Instruments - Should trading of derivative instruments on a marketplace be subject to UMIR?</p>	<p>CSTA, HOOPP and ITG - Yes Instinet and TD - Yes, where the underlying interest is an equity. WSL - Yes, with appropriate modifications to recognize unique nature. Bloomberg - Different or additional rules may be required for the derivative markets, particularly when traded by retail customers. BMO, CIBC, E*Trade and TDQC - No. Derivatives are sufficiently unique to warrant a customized set of rules. NBF and RBC - Not at this stage. Market model for trading derivatives is still under development.</p>	<p>UMIR would apply to the trading of derivatives on a marketplace that has retained RS to be the regulation service provider. Trading of derivatives in other marketplaces with other integrity rules would be subject to those rules. UMIR has been drafted to be of the greatest application in transparent auction markets.</p>
<p>Application to Derivative Instruments - Should an exemption be granted to BDM from Rule 6.3 and 8.1 to accommodate their current market structure?</p>	<p>CSTA and WSL - No BMO - No, exemptions should be necessary (given comparable rules). TD - No, a special exemption should not be built into the rules to benefit any particular existing marketplace.</p>	<p>The trading of derivatives on the Bourse de Montréal ("BDM") will be undertaken in accordance with the rules adopted by the BDM as an exchange.</p>
<p>Application to Derivative Instruments - Should there be any other exemptions or additional integrity provisions in connection with the trading of derivative instruments?</p>	<p>CSTA - No</p>	<p>No specific provisions have been added to UMIR to deal with derivatives.</p>
<p>Application to Debt Securities - Should trading of debt securities on a marketplace be subject to UMIR?</p>	<p>CSTA, ITG, WSL - Yes BGI, CIBC, E*Trade and TDQC - No. Bank of Canada, IDA Capital Markets Committee and TD - No, inappropriate for debt markets or any other decentralized, quote-driven dealer markets. Bloomberg - No, until the impact in the equity markets can be assessed. BMO - No. Regulation of all debt securities,</p>	<p>UMIR could apply to the trading of debt on a marketplace that has retained RS to be the regulation service provider. Trading of debt in other marketplaces with other integrity rules would be subject to those rules. UMIR has been drafted to be of the greatest application in transparent auction markets. While the debt market is presently not structured in this manner, the introduction of ATSS may have an effect on</p>

Reference	Commentator and Comment	Response
	<p>whether listed or over-the-counter, should be addressed separately from UMIR.</p>	<p>how all securities are traded and not be limited to affecting only the trading patterns of exchange-traded equity securities.</p> <p>An inter-dealer bond broker is specifically excluded from the definition of a marketplace under National Instrument 21-101. In accordance with National Instrument 23-101, trades in unlisted debt securities by inter-dealer bond brokers or dealers outside of a marketplace may be undertaken in compliance with Policy No. 5 Code of Conduct for IDA Member Firms Trading in Domestic Debt Markets.</p>
<p>Application to Debt Securities - Should an exemption from Rule 3.1 on short selling be granted for trading in debt securities (including listed or quoted debt securities)?</p>	<p>Bank of Canada - Concepts like a "standard trading unit" have no equivalent in over-the-counter markets and the concept of "short selling" has a different meaning.</p> <p>CSTA - Yes, given nature of "short sales" in dealer principal markets</p> <p>WSL - No.</p>	<p>No specific provisions have been added to UMIR to deal with trading of unlisted debt securities.</p>
<p>Application to Debt Securities - Should there be any other exemptions or additional integrity provisions in connection with the trading of debt securities?</p>	<p>Bank of Canada and IDA Capital Markets Committee - Yes. IDA Policy # 5 should be adopted as market integrity rules for debt markets.</p> <p>CSTA - No.</p>	<p>No specific provisions have been added to UMIR to deal with trading of unlisted debt securities.</p>

Universal Market Integrity Rules for Canadian Marketplaces

APPENDIX G

COMMENTS ON UMIR IN RESPONSE TO CSA QUESTIONS

Reference	Commentator and Comment	Response
<p>Question 1 – Are the scope and content of the UMI rules appropriate?</p>	<p>Barclays Global Investors ("BGI") – Non-Dealer Subscribers and dealer affiliates should be treated equally and the concept of "just and equitable" should be defined.</p> <p>Bloomberg LP ("Bloomberg") – Reconsider application to the fixed income market given the differences in market structure. The definition of "marketplace" in the National Instrument is too expansive and imprecise (e.g. should a single-dealer system as a marketplace.)</p> <p>BMO Nesbitt Burns ("BMO") – UMIR does not recognize the unique characteristics of ATSS and may not be flexible as ATSS evolve.</p> <p>Canadian Securities Traders Association, Inc. ("CSTA") and Hospitals of Ontario Pension Plan ("HOOPP") – Should apply to all users of a marketplace. Rules should be as broad as possible covering all aspects of the market process and applying to all Canadian marketplaces, all participants (dealers and clients) and all securities and administered by a single Market Regulator.</p> <p>E*Trade Canada (E*Trade) – UMIR goes well beyond market integrity and defines the nature of trading opportunities, systems features and functionality to be supported and order types permitted. UMIR makes it impossible for any organization not in partnership with the TSE to compete in a cost effective or distinctive manner. Prefers CSA's less intrusive approach that rules apply at the trade execution stage.</p> <p>Instinet Canada Limited ("Instinet") – Neither scope nor concept is appropriate and, in particular, the role of the Market Regulator has expanded from that envisaged for the "approved agent". CSA must retain an important role in supervision of developing marketplaces.</p> <p>RBC Dominion Securities Inc. ("RBC") – Generally adequate but requirements for Non-Dealer Subscribers are too lax.</p> <p>TD Newcrest, a division of TD Securities Inc. ("TD") – CSA should have ultimate authority with implementation to an intermediate "disinterested" body. Not all marketplaces should be regulated alike.</p> <p>TD Quantitative Capital ("TDQC") – Fundamentally, the scope and content of UMIR are appropriate for the equity market.</p>	<p>The definition of Non-Dealer Subscriber has been amended such that dealer affiliates may be Non-Dealer Subscribers unless they are themselves dealers.</p> <p>UMIR will not apply to the trading of fixed income securities unless such securities are traded on a marketplace which has retained RS to act as its regulation service provided.</p> <p>UMIR is intended to be flexible and provide appropriate exemptions for the needs of individual marketplaces but to "codify" all applicable rules.</p> <p>A number of integrity provisions, and in particular market manipulation, are applicable at the order entry level. UMIR continues to use order entry as the base on which the rules are built.</p> <p>The regulator should not be an "agent" of the person that is being regulated. The Market Regulator will be subject to the jurisdiction of the CSA in both rule development and administration as all rules and policies must be approved by the securities commissions and any decision by the Market Regulator is reviewable by the securities commissions.</p> <p>UMIR and all amendments to it will be subject to approval by the applicable securities commissions. The corporate governance of RS Inc. as a self-regulatory organization will be subject to public comment and approval by the applicable securities commissions. UMIR contemplates that there will be regulation service providers in addition to RS Inc.</p>
<p>Question 2 – Should the market regulator regulate non-dealer subscribers directly and subject non-dealer subscribers to some or all of the trading supervision obligations described in section 7.2 of the UMI rules and to proficiency requirements? In the</p>	<p>BGI, Bourse de Montréal Inc. ("BDM") – No. Market Regulator should not regulate but ATS should provide copy of the rules.</p> <p>BMO – If retail investors are precluded from direct access, all rules should apply uniformly to dealer and non-dealer subscribers alike. Non-residents may not be able to participate directly or must meet certain criteria for direct participation.</p> <p>CSTA, HOOPP and RBC – Non-Dealer Subscribers</p>	<p>UMIR proposes to regulate Non-Dealer Subscribers. The compliance provisions under Part 10 of UMIR have been expanded to specifically include a number of investigation and enforcement provisions directly affecting Non-Dealer Subscribers and the practice and procedure to be employed by the Market Regulator has been set out in a policy.</p> <p>Not all of the integrity rules are applicable</p>

Reference	Commentator and Comment	Response
<p>alternative, should there only be a requirement for an ATS to provide a copy of the rules to their non-dealer subscribers and ensure that they acknowledge that they have received rules and understand them?</p>	<p>should be regulated by Market Regulator and subject to applicable UMIR provisions.</p> <p>CIBC World Markets Inc. ("CIBC") and TDQC - All participants with direct access to the market must meet specific training and proficiency requirements enforced by the Market Regulators.</p> <p>Instinet - No direct regulation of Non-Dealer Subscribers is called for and would be at variance with the practice in the United States. ATS should not be required to provide rules.</p> <p>Ontario Teachers Pension Plan Board ("Teachers") - ATSs should monitor subscribers and have them sign-off on the rules. Market Regulator should enforce applicable rules to Non-Dealer Subscribers (which may include trading supervision and proficiency obligations).</p> <p>TD - No direct regulation of Non-Dealer Subscribers is required. General prohibitions on certain conduct are appropriate. ATS should provide a copy of rules and require subscribers to agree to follow them.</p>	<p>to persons who are not dealers (e.g. client priority and client principle trading).</p> <p>If an ATS does not assume the "compliance" function required of other dealers and there is no direct regulation of Non-Dealer Subscribers a true regulatory vacuum would emerge. The suggestion that appropriate prohibitions is all that is required</p>
<p>Question 3 - Should the market regulator require that an ATS be responsible for training its non-dealer subscribers on the applicable rules?</p>	<p>BGI, BMO, Instinet and TD - No.</p> <p>BDM - Yes.</p> <p>CSTA and HOOPP - ATS should ensure users are trained in and adhere to UMIR.</p> <p>E*Trade - No. In addition, ATS should not be responsible for orders placed in their systems unless exchanges are also liable.</p>	<p>UMIR continues to propose that an ATS have the responsibility for ensuring that its subscribers are trained in the rules. As an ATS will not be assuming any compliance responsibility in respect of orders entered by subscribers and as subscribers will not be limited to registrants, market integrity requires that persons with direct access to marketplaces have a minimum level of understanding and proficiency in the applicable rules. In the near term, it was thought appropriate place the responsibility for such training on the ATS to which the person subscribed. During the public comment on UMIR, it was suggested that completion of a modified version of the "Trader Training Course" might be an appropriate prerequisite for a person to be able to become a subscriber to an ATS.</p> <p>Members of an exchange are made responsible for all bids and offers that are entered into their system. Since an ATS will have subscribers who are not dealers, responsibility for orders must reside with the ATS in its capacity as a dealer. Subscribers to an ATS who are dealers will be as responsible for their own orders as Participants who are members of an exchange.</p>
<p>Question 4 - Should the UMI rules replace all or part of the CSA Trading Rules that were published for comment at the same time as the July 2000 ATS proposal?</p>	<p>BDM - Yes.</p> <p>BGI, HOOPP, Instinet, RBC and TDQC - Yes, if modified.</p> <p>BMO - Neither set of rules is fully complete. After successive rounds of comments, a suitable composite should arise.</p> <p>IDA Capital Markets Committee - UMIR should replace the CSA's Trading Rules though the CSA must retain effective oversight of the Market Regulator's rule-making function.</p> <p>CSTA - Yes, if sensitive to differences between equity, debt and derivative markets.</p> <p>CIBC - Yes, for listed equities.</p> <p>TD - No.</p>	<p>CDNX and the TSE continue to be of the view that there should be a single set of market integrity rules applicable in all marketplaces. UMIR has been constructed to be a "framework" which would recognize particular aspects of each different marketplaces and different securities. It does not attempt to provide the same rule for "all" but to be a "code" which contains all applicable rules.</p>

Reference	Commentator and Comment	Response
<p>Question 5 - Please comment on the extent to which the UMI rules are applicable to the debt and derivatives markets and OTC trading.</p>	<p>BGI and HOOPP - Applicability of UMIR to other markets should be subject of a separate proposal and request for comments.</p> <p>BMO - Separate rules for debt market. UMIR applicable to certain "equity like" derivatives.</p> <p>BDM - Should be very limited (as many rules will not apply).</p> <p>CIBC and TDQC - Debt and derivatives should have their own integrity rules.</p> <p>Instinet - Manipulative or deceptive means of trading and frontrunning should apply to derivative. Application to debt markets requires further and independent study.</p> <p>Teachers - After application in equity markets for a period of six months should undertake analysis to determine which parts may be applicable in other markets.</p> <p>RBC - UMIR inapplicable to derivative trading environment.</p> <p>TD - Introduction of ATSS should not be permitted to change the way the "debt market" operates today and integrity rules must therefore reflect the manner in which debt is traded prior to introduction of ATSS. With suitable modifications, rules could apply to listed derivatives involving underlying equity interests.</p>	<p>UMIR has been expanded to recognize that UMIR does not apply if the order and trade have been made in accordance with the rules of an exchange or quotation and trade reporting system that has adopted integrity rules other than UMIR or on a marketplace that has adopted the rules of another regulation service provider.</p> <p>Certain of the commentators presume the structure of the existing debt and derivative markets will be immune from any effect arising from the introduction of alternative trading systems. To the extent that investors will be able to have direct access to a marketplace, the dynamics of trading derivatives and debt securities will change.</p>
<p>Question 6 - Does the concept of a standard trading unit apply to the debt and derivatives markets?</p>	<p>BDM, BGI and CSTA - Yes.</p> <p>BMO - Yes, where the underlying securities are subject to UMIR.</p> <p>RBC - Yes, but marketplace should be able to advertise price and size in whatever increments offer a competitive product.</p> <p>TD - No.</p> <p>TDQC - Should be subject of a separate proposal.</p>	<p>The concept of a board lot is not new for the trading of derivatives or debt on an exchange. The proposed "standard trading unit" merely set out a benchmark that would be applicable for setting the minimum size trade or order that can set last sale price or best bid and offer in an auction market environment and the size of client order that would have to be exposed to the market.</p>
<p>Question 7 - Please comment on whether it is appropriate for an exemption to be granted from the CSA Trading Rules for manipulation and fraud if a marketplace participant is in compliance with the UMI rules.</p>	<p>BGI - Yes.</p> <p>BMO, Instinet, Teachers, RBC and TD - No. UMIR should encompass any CSA rules.</p> <p>BDM and TDQC - Only one set of rules should exist.</p> <p>CSTA and HOOPP - Appropriate for Market Regulator to administer securities fraud provisions with the securities regulator involved only in compliance or enforcement matters referred by the Market Regulator.</p>	<p>CDNX and the TSE continue to be of the view that "fraud" is not a proper area of responsibility for a regulator, particularly a regulation service provider that obtains much of its power and jurisdiction by virtue of contractual relationships with marketplaces.</p>
<p>Question 8 - Should the best execution obligation be subject to "prevailing market conditions?"</p>	<p>BDM, BGI, Instinet and TDQC - Yes.</p> <p>BMO, CIBC and TD - Yes, but the concept needs to be further defined.</p> <p>CSTA and HOOPP - The concept needs to be further defined.</p> <p>E*Trade - Order exposure rule premised on TSE systems and functionality and therefore inappropriate.</p> <p>Teachers - Concept requires further study.</p> <p>RBC - Best execution rules are complex and the bid or offer size is not reflected in the definition of "best price".</p>	<p>The "best execution obligation" continues to be subject to "prevailing market conditions".</p>
<p>Question 9 - Should there be exceptions to the best execution obligation? If so, what exceptions are appropriate?</p>	<p>BGI - Yes, further exception for "cross" trades.</p> <p>Bloomberg - Yes, same rule for small orders should not apply to large orders that require special handling (e.g. should be able to "pay up for size.)</p> <p>BDM and BMO - Yes, UMIR proposals appropriate.</p> <p>CSTA and HOOPP - Yes, large transactions.</p> <p>Instinet - Yes, UMIR proposal too narrow.</p>	<p>A provision for call market orders has been added as an exception to the "best price obligation".</p> <p>The "best execution" obligation recognizes size as a factor through the use of the phrase "most advantageous terms for the client as expeditiously as practicable under prevailing market conditions".</p>

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Reference	Commentator and Comment	Response
	<p>TD - Yes, should be an exception for unstable or unusual market conditions. TDQC - Yes, exceptions for calls and crosses.</p>	
<p>Question 10 - Is the proposed threshold for order exposure of 50 standard trading units appropriate?</p>	<p>BGI, Instinet and RBC - Yes. CSTA - Yes, but should be reviewed in 6 months. BMO - No. (prefer 10 standard trading units). CIBC - No, should be lower (and rule consolidated with client/principal rule and reviewed in light of trading in penny increments). TD - No, should be lower. TDQC - No, threshold of \$100,000 would be less ambiguous. Teachers - Order disclosure should be at the discretion of the participants and subscribers. E*Trade - Supports concept of standard trading unit but should not be defined in a way which is anti-competitive or advantageous to the TSE.</p>	<p>While a set dollar amount would be easy to administer, the requirement would not recognize difference in the structure of markets. For example, while the average price of a share traded on the TSE may exceed \$20.00 the price is approximately \$0.50 on CDNX. The use of 50 standard trading units recognizes these price differences.</p>
<p>Question 11 - Is the proposed threshold for principal trading of 50 standard trading units appropriate?</p>	<p>BGI, Instinet and Teachers - Yes. CSTA - Yes, but should be reviewed in 6 months. BMO - No. (prefer 10 standard trading units). TD - No, should be lower (calculated in a manner similar to basis for the 1,200 requirement under TSE Rule 4-402). TDQC - No, threshold of \$100,00 would be less ambiguous. CIBC - No should be lower (and rule consolidated with order exposure rule and reviewed in light of trading in penny increments). E*Trade - Supports concept of standard trading unit but should not be defined in a way which is anti-competitive or advantageous to the TSE. RBC - Should be no threshold for "market orders".</p>	<p>While a set dollar amount would be easy to administer, the requirement would not recognize difference in the structure of markets. For example, while the average price of a share traded on the TSE may exceed \$20.00 the price is approximately \$0.50 on CDNX. The use of 50 standard trading units recognizes these price differences.</p>
<p>Question 12 - Should participants be permitted to implement the audit trail requirement regarding transmission of order information over time? If so, what would be the appropriate phase-in period.</p>	<p>BGI and HOOPP - No, unless persuasive argument can be made against immediate implementation. TDQC - No. BDM - Yes. TD - Yes (suggest 6 months). BMO, Instinet and RBC - Yes (suggest 12 months). CSTA - Yes (suggest 24 months). Teachers - Yes (suggest no more than 18 to 24 months). CIBC - Yes, tied to T+1 phase-in.</p>	<p>UMIR requires that Participants maintain records of orders and trades. Under UMIR this information is to transmit to the Market Regulator "at the time and in such manner and form as may be required by the Market Regulator." It is contemplated that the Market Regulator would co-ordinate the introduction of the electronic filing of the order and trade information with the January 1, 2004 date established in National Instrument 23-101.</p>

APPENDIX H

Universal Market Integrity Rules for Canadian Marketplaces

MARKED COPY INDICATING REVISIONS TO VERSION
PUBLISHED APRIL 20, 2001

The marked copy indicating revisions to the Universal Market Integrity Rules published on April 20, 2001 can be found on the OSC website. A clean version of the UMIRs is contained in Appendix B.

13.1.4 Proposed Criteria for recognition with terms and conditions

**PROPOSED CRITERIA FOR RECOGNITION
AND
TERMS AND CONDITIONS**

1. CORPORATE GOVERNANCE

The arrangements with respect to the appointment, removal from office and functions of the persons ultimately responsible for making or enforcing the rules of RS Inc., namely, the governing body, are such as to ensure a proper balance between the interests of the different entities desiring access to the regulation services of RS Inc., and there are a reasonable number and proportion of independent directors in order to ensure diversity of representation on the Board.

Without limiting the generality of the foregoing, RS Inc.'s governance structure provides for:

- (a) fair and meaningful representation on its governing body and any committees of the governing body, in the context of the nature and structure of RS Inc.; and
- (b) appropriate qualifications, remuneration, conflict of interest provisions and limitation of liability and indemnification protections for directors and officers and employees of RS Inc. generally.

Recognition Order Terms and Conditions:

RS Inc. will comply with the recognition criteria with respect to corporate governance. In particular,

- (a) at least 50 per cent of its directors will consist of independent directors. The definition of independent director excludes a marketplace, a marketplace participant, a shareholder of RS Inc. or an affiliated entity of any of the above and an independent director of RS Inc. will not include any employees of RS Inc. or anyone associated with RS Inc.;
- (b) at all times, one director on the board of directors of RS Inc. (the "Board") will be an individual who is associated with or experienced with the Canadian public venture capital market;
- (c) at all times one member of the Board will be a representative of ATs, considered to be an Independent Director until such time as that individual is associated or affiliated with an ATs that becomes regulated by RS Inc. and thereafter will be considered to be a non-Independent Director;
- (d) the Board will delegate the selection of Independent Directors and the representative of ATs, whether independent or non-independent to a Governance Committee of the Board which will be composed of all of the Independent Directors;
- (e) RS Inc. will provide the Commission with notice of all appointments to the Board;
- (f) the President of RS Inc. will be deemed to be neither independent nor non-independent;
- (g) quorum for the Board will be a simple majority, with at least one representative from each shareholder and at least 50% of the Independent Directors present;
- (h) RS Inc. shall not, without prior Commission approval, make changes to its corporate governance structure, articles, by-laws or any shareholders' agreement; and
- (i) the corporate governance model will be reviewed by RS Inc. within 12 months from the date of recognition to ensure that it reflects the market structure.

2. FEES

- (a) Any and all fees imposed by RS Inc. are equitably allocated. Fees do not have the effect of creating barriers to access and must be balanced with the criteria that RS Inc. has sufficient revenues to satisfy its responsibilities.
- (b) RS Inc.'s process for setting fees is fair, transparent and appropriate.

Recognition Order Terms and Conditions:

RS Inc. will comply with the recognition criteria with respect to fees. In particular,

- (a) fees will be charged on a cost recovery basis and allocated based on use;
- (b) RS Inc. will not, without prior Commission approval, make any significant changes to the fee model; and
- (c) the fee model will be reviewed by RS Inc. within 12 months from the date of recognition.

3. ACCESS

- (a) RS Inc.'s requirements permit all marketplaces that satisfy criteria established by RS Inc. to access the regulation services of RS Inc.
- (b) Without limiting the generality of the foregoing, RS Inc. will:
 - (i) establish written standards for granting access to its regulation services;
 - (ii) not unreasonably prohibit or limit access by a person or company to services offered by it; and
 - (iii) keep records of:
 - (A) each grant of access including, for each entity granted access to its regulation services, the reasons for granting such access; and
 - (B) each denial or limitation of access, including the reasons for denying or limiting access to any applicant.

Recognition Order Terms and Conditions:

RS Inc. will comply with the recognition criteria with respect to access. In particular, RS Inc. will,

- (a) ensure that so long as a marketplace is recognized or registered in accordance with securities legislation of an applicable Canadian regulatory authority it will be eligible to subscribe to be regulated by RS Inc.; and
- (b) enter into a written agreement with all eligible marketplaces that provides that:
 - (i) RS Inc. will monitor the conduct of the marketplace and its marketplace participants;
 - (ii) RS Inc. will enforce requirements set governing the conduct of its marketplace participants;
 - (iii) the marketplace will transmit information required under Part 11 of National Instrument 21-101 (audit trail requirements);
 - (iv) the marketplace will comply with all orders or directions made by RS Inc.;
 - (v) where the marketplace is an ATS, the ATS will conduct its trading activities in compliance with requirements set by RS Inc.

4. FINANCIAL VIABILITY

RS Inc. has sufficient financial resources for the proper performance of its functions.

Recognition Order Terms and Conditions:

RS Inc. will comply with the recognition criteria with respect to financial viability and, in particular, will

- (a) operate on a not-for-profit, cost recovery basis;
- (b) file quarterly financial statements within 60 days of each quarter end and audited annual financial statements within 90 days of year-end.

5. CAPACITY TO PERFORM REGULATORY FUNCTIONS

RS Inc. maintains its ability to perform its regulation functions including setting requirements governing the conduct of ATs and their subscribers, monitoring and enforcing requirements for all marketplaces and their participants, and disciplining marketplaces and marketplace participants.

Recognition Order Terms and Conditions:

RS Inc. will comply with the recognition criteria with respect to capacity to perform regulatory functions and, in particular, will

- (a) provide the Commission with an annual report in such form as may be specified by the Commission from time to time, and with such information regarding its affairs as may be requested from time to time;
- (b) not, without prior Commission approval, make significant changes to the organizational structure of RS Inc. or its ability to perform its regulatory functions;
- (c) have the necessary financial, technological and other resources to efficiently and effectively regulate marketplaces and their participants;
- (d) adopt and use all reasonable efforts to comply with policies and procedures designed to ensure that confidential information relating to its operations or to any marketplace or any marketplace participants is maintained in confidence and not shared inappropriately with other persons;
- (e) promptly report to the Commission misconduct or apparent misconduct by marketplaces or marketplace participants and others where investors, marketplaces or marketplace participants or their customers, or RS Inc. may reasonably be expected to suffer serious damage as a consequence thereof, RS Inc. has a reasonable apprehension that fraud may be present or there may exist material deficiencies in supervision or internal controls;
- (f) notify the public and media by way of press release and by posting on its website any disciplinary or settlement hearing not less than 10 days prior to the date of any such hearing, and promptly notify the public and media of the disposition of all disciplinary actions by way of press release and posting on its website;
- (g) ensure that disciplinary and settlement hearings are open to the public and media except where required for the protection of confidential matters;
- (h) notify the Commission on a monthly basis of: (i) all new investigations initiated by RS Inc., including the persons involved and the nature of the investigation; (ii) all investigations which do not lead to disciplinary proceedings and which are closed, including the date the investigation started, the conduct and persons involved and the disposition of the investigation; and (iii) all investigations that lead to disciplinary proceedings.
- (i) provide information with respect to its operations to the Commission upon request;
- (j) maintain its ability to perform its regulation functions and advise the Commission at least annually of its staff complement, by function and location, and of any material changes or reductions in staff, by function and location; and
- (k) report to the Commission within 12 months of beginning operations on how it has fulfilled these terms and conditions in a form satisfactory to the Commission.

6. CAPACITY AND INTEGRITY OF SYSTEMS

RS Inc.'s systems, capacity and integrity requirements provide that it:

- (a) on a reasonably frequent basis, and in any event, at least annually,
 - (i) makes reasonable current and future capacity estimates;
 - (ii) conducts capacity stress tests of critical systems to determine the ability of those systems to monitor transactions in an accurate, timely and efficient manner;
 - (iii) develops and implements reasonable procedures to review and keep current the development and testing methodology of those systems;
 - (iv) reviews the vulnerability of those systems and data centre computer operations to internal and external threats including physical hazards and natural disasters; and
 - (v) establishes reasonable contingency and business continuity plans;

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- (b) annually, causes to be performed an independent review and prepares a report, in accordance with established audit procedures and standards, of its controls for ensuring that it is in compliance with paragraph (a) above, and ensures that senior management conducts a review of the report containing the recommendations and conclusions of the independent review; and
- (c) promptly notifies the Commission of material systems failures and changes.

Recognition Order Term and Condition:

RS Inc. will comply with the recognition criteria with respect to capacity and integrity of systems.

7. PURPOSE OF RULES

- (a) The rules, policies, or other similar instruments ("Rules") of RS Inc. are designed to:
 - (i) ensure compliance with securities legislation;
 - (ii) prevent fraudulent and manipulative acts and practices;
 - (iii) promote just and equitable principles of trade;
 - (iv) foster cooperation and coordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in, securities; and
 - (v) provide for appropriate discipline.
- (b) The Rules of RS Inc. do not:
 - (i) permit unreasonable discrimination between those granted access to the regulation services of RS Inc.; or
 - (ii) impose any burden on competition that is not necessary or appropriate in furtherance of securities legislation.
- (c) The Rules of RS Inc. ensure that its business is conducted in an orderly manner so as to afford protection to investors.

Recognition Order Term and Condition:

RS Inc. will, subject to the terms and conditions of this recognition order and the jurisdiction and oversight of the Commission in accordance with securities laws, establish such Rules as are necessary or appropriate to govern and regulate all aspects of its business and affairs and will, in so doing, specifically govern and regulate as to comply with securities laws and this recognition criteria.

8. RULES AND RULE-MAKING

All Rules and amendments thereto adopted by the Board must be filed with the Commission. The details in respect of the approval of rule proposals may be set out in rule review procedures established by the Commission and other recognizing regulators.

Recognition Order Terms and Conditions:

RS Inc. will comply with the recognition criteria with respect to rules and rule-making and, in particular, will:

- (a) administer and enforce the UMIRs for marketplaces for which RS Inc. acts as the regulation services provider as well as any other rules of a marketplace as agreed to between RS Inc. and that marketplace; and
- (b) submit, on its own behalf and on behalf of the exchanges that contract with it for regulation services, any proposal for the amendment of the UMIRs to the Commission for review in accordance with rule review procedures established by the Commission and other recognizing regulators, as may be amended from time to time.

9. FINANCIAL STATEMENTS

RS Inc. will prepare annual audited financial statements, in accordance with Canadian GAAP and covered by a report prepared by an independent auditor, within 90 days after the end of its latest financial year.

Recognition Order Term and Condition:

RS Inc. will comply with the recognition criteria with respect to financial statements.

10. DISCIPLINE RULES

RS Inc. has the authority and rules that provide that persons or companies granted access to its regulation services and any other persons or companies over which RS Inc. has authority such as those formerly granted access to a marketplace that is now being regulated by RS Inc. are appropriately disciplined for violations of securities legislation and these rules.

Recognition Order Term and Condition:

RS Inc. will comply with the recognition criteria with respect to discipline rules and, in particular, will incorporate general disciplinary and enforcement rules in the UMIRs which will govern any marketplace that contracts with RS Inc. to carry out these functions and the participants in that marketplace.

11. DUE PROCESS

In connection with giving access to its facilities, RS Inc. will ensure that:

- (a) its requirements, the limitations or conditions it imposes on access, and the decisions it makes to deny access are fair and reasonable;
- (b) the parties are given notice and an opportunity to be heard or make representations; and
- (c) it keeps a record, gives reasons and provides for appeals of its decisions.

Recognition Order Term and Condition:

RS Inc. will comply with the recognition criteria with respect to due process.

12. INFORMATION SHARING

RS Inc. is able and willing to co-operate, by the sharing of information and otherwise, with the Commission and its staff and other Canadian regulatory authorities, other regulation services providers, and other recognized self-regulatory organizations.

Recognition Order Term and Condition:

RS Inc. will comply with the recognition criteria with respect to information sharing.

13. ADDITIONAL INFORMATION & COMPLIANCE WITH OVERSIGHT

RS Inc. has provided any additional information, as may be required from time to time.

Recognition Order Term and Condition:

RS Inc. will file the information required in Appendix B of the Memorandum of Understanding for the oversight of RS Inc. among the regulators recognizing RS Inc.

(a) The information will be filed with its application for recognition. If that information changes before RS Inc. is recognized, RS Inc. will immediately advise the Commission in writing and file an amendment to the information it has already provided within seven days of the change taking place.



(b) The information will be filed within the time periods set out below, if it makes a change to the information it has already filed:

(i) if the change is significant, at least 45 days before making the change;

(ii) if the change is not significant, within 30 days after the end of the calendar quarter in which the change takes place.

(c) Any changes to the Exhibits A, B, D, F, H, I and K of Appendix B are significant changes. For greater certainty, any change to a Rule does not require a filing under Appendix B.

13.1.5 Memorandum of Understanding regarding oversight of RS Inc.

MEMORANDUM OF UNDERSTANDING REGARDING OVERSIGHT OF MARKET REGULATION SERVICES INC.

The parties agree as follows:

1. Underlying Principles

- 1.1 Market Regulation Services Inc. ("RS Inc.") is recognized as a self-regulatory organization under applicable securities legislation and is a regulation services provider pursuant to National Instrument 23-101 Trading Rules.
- 1.2 RS Inc. will provide regulation services to marketplaces that retain RS Inc. as a regulation services provider.
- 1.3 As a means of performing oversight of these functions effectively, an oversight program (the "Oversight Program") has been developed that will include reviewing and approving new and amended rules, policies and other similar instruments ("Rules") of RS Inc., reviewing and approving material changes to RS Inc.'s operations and performing examinations of RS Inc.'s regulation services.
- 1.4 The purpose of the Oversight Program is to ensure that RS Inc. meets appropriate standards for regulation. These standards include:
 - 1.4.1 fair access to marketplaces;
 - 1.4.2 fair representation of marketplaces in corporate governance;
 - 1.4.3 systems and financial capacity to carry out prescribed regulatory functions;
 - 1.4.4 market integrity through the adoption of rules that prohibit unfair trading practices and monitoring and enforcing these rules; and
 - 1.4.5 compliance with the terms and conditions of the recognition of RS Inc. and related undertakings.
- 1.5 Each of the Commissions that have recognized RS Inc. as a self-regulatory organization under their legislation is a recognizing regulator (a "Recognizing Regulator").
- 1.6 The parties agree that the OSC is the principal regulator (the "Principal Regulator") responsible for coordinating the Oversight Program of RS Inc. which will include the matters described in Part 2.

2. Oversight Program

- 2.1 An Oversight Program will be established which will include, at a minimum, periodic examinations of regulation functions, review and approval of changes to RS Inc. Rules, and review of information filed by RS Inc.

The memorandum of understanding will generally take the form set out below.

2.2 Examinations of RS Inc.

- 2.2.1 The Principal Regulator is responsible for coordinating with the other Recognizing Regulators periodic examinations of the functions carried out by RS Inc.
- 2.2.2 The Principal Regulator will develop an examination program in consultation with staff of the other Recognizing Regulators. The Principal Regulator will be responsible for coordinating adequate staffing for an examination, drafting reports and reporting to the other Recognizing Regulators on the status and results of an examination. Depending on the functions carried out by RS Inc. in a particular office, staff of the other Recognizing Regulators may take an active role in carrying out the examination.
- 2.2.3 At the conclusion of an examination, staff of the Principal Regulator will coordinate the drafting of a report with staff of the other Recognizing Regulators who took an active role in carrying out the examination and send the draft report to all Recognizing Regulators for comment. Any Recognizing Regulator that has comments will send its comments to the Principal Regulator within 14 days of receipt of the draft report, with copies to the other Recognizing Regulators.
- 2.2.4 The Principal Regulator will forward a copy of the draft report to RS Inc. RS Inc. will review the draft report and, within 10 days of receipt, provide its comments to the Principal Regulator, with copies to the other Recognizing Regulators. The Principal Regulator and the Recognizing Regulators will consider the comments of RS Inc. and the Principal Regulator will revise the report as necessary.
- 2.2.5 The Principal Regulator will forward the final examination report to RS Inc. for a response within 21 days. A copy of the report will also be forwarded to the Canadian Securities Administrators (CSA) Chairs. The Principal Regulator will review the response of RS Inc. and coordinate a follow-up plan with the other Recognizing Regulators, if necessary. The Principal Regulator will continue to regularly update the other Recognizing Regulators on the implementation of any follow-up plan and any other action taken.

2.3 Rule Review

- 2.3.1 RS Inc. will be responsible for filing all Rules with each Recognizing Regulator on the same day.
- 2.3.2 In order to provide greater consistency and co-operation and to make the process more efficient, the Commissions have developed a joint rule protocol for coordinating the review and approval of Rules. The joint rule protocol is attached as Appendix A and may be amended from time to time.
- 2.3.3 The parties agree that the OSC will act as Principal Regulator for the purpose of approving Rules.

2.4 Information filed by RS Inc.

APPENDIX A

JOINT RULE PROTOCOL

- 2.4.1 RS Inc. will be responsible for filing with each Recognizing Regulator the information set out in Appendix B, as amended from time to time.
- 2.4.2 Any comments of the Recognizing Regulators about the information filed by RS Inc. will be sent to the Principal Regulator.
- 2.4.3 The Principal Regulator will request that RS Inc. respond to comments raised by the Recognizing Regulators, if necessary, and forward any response from RS Inc. to the Recognizing Regulators.

3. Reporting Obligations

- 3.1 Set out in Appendix C, as amended from time to time, are the reporting requirements applicable to RS Inc. RS Inc. will be responsible for reporting to each Recognizing Regulator.
- 3.2 Any comments of the Recognizing Regulators on the reports described in this section will be sent to the Principal Regulator.
- 3.3 The Principal Regulator will request that RS Inc. respond to comments raised by the Recognizing Regulators, if necessary, and forward any response from RS Inc. to the Recognizing Regulators.

4. Status Meetings

- 4.1 In order to coordinate the Oversight Program, the Principal Regulator will organize quarterly conference calls with the other Recognizing Regulators and with RS Inc. staff to discuss upcoming policy, rule or operational changes at RS Inc. and the status of approval of changes by the Recognizing Regulators.

5. Oversight Committee

- 5.1 An oversight committee will be established (the "Oversight Committee") which will act as a forum and venue for the discussion of issues, concerns and proposals related to the oversight of RS Inc.
- 5.2 The Oversight Committee will include staff representatives from each of the Recognizing Regulators. The Oversight Committee will meet at least once annually and will conduct conference calls at least quarterly.
- 5.3 The Oversight Committee will provide to the CSA Chairs an annual written report that will include a summary of all oversight activities during the previous period.

6. Effective Date

This MOU comes into effect as of *

The parties agree as follows:

1. Underlying Principles

- 1.1 The Commissions agree to adopt uniform procedures to coordinate the review and approval of each new or amended rule, policy and other similar instrument (a "Rule") proposed by Market Regulation Services Inc. ("RS Inc.") in order to streamline the review and approval process.
- 1.2 The Commissions agree that the OSC is the principal regulator (the "Principal Regulator") responsible for coordinating the rule review and approval process.

2. Materials to be Filed

- 2.1 RS Inc. shall file with each Commission on the same day the following information:
 - 2.1.1 the proposed Rule;
 - 2.1.2 a notice of publication including:
 - 2.1.2.1 a description of the proposed Rule and its impact;
 - 2.1.2.2a concise statement, together with supporting analysis, of the nature, purpose and effect of the Rule;
 - 2.1.2.3 the possible effects of the Rule on marketplaces, marketplace participants, competition and the costs of compliance;
 - 2.1.2.4a description of the rule-making process, including a description of the context in which the proposed Rule was developed, the process followed, the issues considered, the consultation process undertaken, the alternative approaches considered and the reasons for rejecting the alternatives;
 - 2.1.2.5 where the proposed Rule requires technological systems changes to be made by RS Inc., marketplaces or marketplace participants, RS Inc. shall provide a description of the implications of the Rule and, where possible, an implementation plan, including a description of how the Rule will be implemented and the timing of the implementation; and
 - 2.1.2.6 a reference to other jurisdictions including an indication as to whether another regulator in Canada, the United States or another jurisdiction has a comparable rule or has made or is contemplating making a comparable rule and, if applicable, a comparison of the proposed Rule to the rule of the other jurisdiction.

- 2.2 RS Inc. may file a Rule for approval on its own behalf and on behalf of any exchange and quotation and trade

reporting system that has contracted with it for regulation services. In submitting a Rule to each Commission, RS Inc. shall clearly state on whose behalf it is submitting the Rule for review and approval. Any approval by the Commissions of a Rule submitted by RS Inc. shall be given to RS Inc. and the exchanges and quotation and trade reporting systems on whose behalf RS Inc. filed the Rule.

3. Review Process

- 3.1 The Principal Regulator shall immediately send confirmation of receipt of the Rule to RS Inc., with copies to the other Commissions.
- 3.2 The Principal Regulator shall, and the other Commissions may, publish for a 30 day comment period in its bulletin or on its website the notice filed by RS Inc., and the proposed Rule. The 30 day period shall commence on the date the proposed Rule appears in the bulletin or on the website of the Principal Regulator.
- 3.3 During the 30 day comment period, each of the Commissions shall provide material comments to the Principal Regulator in writing, with copies to the other Commissions. If no comments are received within the 30 day period, the Principal Regulator shall assume that the other Commissions do not have any comments.
- 3.4 If the Principal Regulator and the other Commissions do not have any comments and the Principal Regulator has verified that no public comments were received, the Principal Regulator shall advise RS Inc. and proceed to have the proposed Rule approved in accordance with section 4.
- 3.5 The Principal Regulator shall prepare and deliver to the other Commissions, within seven days of the end of the comment period, a draft comment letter to RS Inc. that incorporates the comments raised by the Commissions. If the Principal Regulator and the other Commissions do not have any comments, the Principal Regulator shall send a confirmation of that fact to the other Commissions.
- 3.6 Within seven days of receipt, each of the Commissions shall provide comments on the draft comment letter prepared by the Principal Regulator. If the Principal Regulator does not receive any comments during that period, the other Commissions will be deemed not to have any comments.
- 3.7 The Principal Regulator shall forward the comment letter to RS Inc. within three days of the other Commissions' response period under section 3.5, with a copy to each of the other Commissions.
- 3.8 Within 14 days of receipt, RS Inc. shall respond in writing to the comment letter sent by the Principal Regulator and include in its response a summary of public comments received. RS Inc. shall send a copy of its response to the Principal Regulator and the other Commissions.
- 3.9 Each of the other Commissions shall provide material comments to the Principal Regulator in writing within seven days of RS Inc.'s response with copies to the other Commissions. The Principal Regulator shall provide its comments to the other Commissions within the same period. If no comments are received within

the seven day period by the Principal Regulator, the other Commissions are deemed to have no comments.

- 3.10 The Principal Regulator shall use its best efforts to resolve any issues that are significant on a timely basis in consultation with the other Commissions as needed. The Principal Regulator will notify the other Commissions of the resolution of outstanding issues.

- 3.11 If amendments to the Rule are necessary as a result of comments received, the Principal Regulator shall have discretion to determine whether the Rule should be re-published for comment.

4. Approval Process

- 4.1 Staff of the Principal Regulator shall present documentation for approval of the Rule by the Principal Regulator within 10 days of the later of: receiving confirmation from RS Inc. of no public comments or resolving comments raised under section 3.10.
- 4.2 Staff of the Principal Regulator shall circulate to the other Commissions the documentation approved by the Principal Regulator.
- 4.3 Staff of the other Commissions shall obtain the necessary approval within 10 days of receipt of the documentation from the Principal Regulator. In the event that approval cannot be obtained by a particular Commission within 10 days, that Commission will inform the Principal Regulator and the other Commissions. The Principal Regulator will notify RS Inc.
- 4.4 Each Commission shall inform the Principal Regulator in writing of the decision concerning the proposed Rule immediately following the decision.
- 4.5 The Principal Regulator shall communicate in writing the approval of the proposed Rule to RS Inc. within three days of receipt of notification from all of the other Commissions of their decision.
- 4.6 In the event that there is disagreement between Commissions concerning the approval of a Rule, the Principal Regulator shall arrange, within 14 days of becoming aware of the disagreement, for the Chair of each of the Commissions to discuss the issues and attempt to establish a consensus between the Commissions. If, after the consultations, the Chairs of each of the Commissions are unable to agree on the appropriate outcome for the proposed Rule, RS Inc. will not be able to adopt the Rule.
- 4.7 The Principal Regulator shall prepare and publish in its bulletin or website a notice of approval of a Rule within seven days of delivery of the notification to RS Inc. of the approval. The notice shall be forwarded to the other Commissions and shall contain a short summary of the Rule, RS Inc.'s summary of public comments received and responses, if applicable, and a copy of a revised Rule if changes were made to the version published for public comment. The other Commissions may publish the notice in their bulletin or on their website.
- 4.8 A Rule shall be effective as of the date of the notification of approval by the Principal Regulator to RS Inc. or on a date determined by RS Inc., whichever is later.

5. Immediate Implementation of Rules

- 5.1 If RS Inc. reasonably believes that there is an urgent need to implement a Rule because of a substantial risk of material harm to marketplaces or marketplace participants, RS Inc. may make a Rule effective immediately upon approval by RS Inc.'s board of directors provided that RS Inc.:
- 5.1.1 provides each Commission with written notice of the urgent need to implement the Rule at least seven business days before the Rule is approved by RS Inc.'s board of directors; and
 - 5.1.2 includes in the notice referenced in subsection 5.1.1 an analysis in support of the need for immediate implementation of the Rule.
- 5.2 If a Commission does not agree that immediate implementation is necessary, that Commission shall, within two business days after receiving RS Inc.'s notification, advise the Principal Regulator in writing that it disagrees and provides the reasons for its disagreement, with copies to the other Commissions. The Principal Regulator shall advise the other Commissions in writing if it disagrees within the same period. If no notice is received by RS Inc. within five business days of the Commissions receiving RS Inc.'s notification, RS Inc. shall assume that the Commissions agree with its assessment.
- 5.3 A Rule that is implemented immediately shall be published, reviewed, and approved in accordance with the review and approval procedures set out in sections 3 and 4. Where the Commissions subsequently disapprove a Rule that was implemented immediately, RS Inc. shall repeal the Rule and inform the marketplaces that it regulates.

6. Waiver

- 6.1 The Commissions, through the Principal Regulator, may waive any part of this agreement upon RS Inc. filing a written request with each Commission. The Principal Regulator shall consult with the other Commissions and each Commission will advise the Principal Regulator within seven days if it agrees to grant the waiver. The waiver must be granted in writing by the Principal Regulator, with copies to the other Commissions.
- 6.2 The terms, conditions and procedures of this rule protocol may be varied or waived by mutual agreement of the parties. 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 parties.

7. Effective Date

- 7.1 This agreement comes into effect as of * .

EXHIBITS

File all Exhibits with the Filing. For each Exhibit, include the date on which the Exhibit is filed and the date as of which the information is accurate if that date is different from the date of filing. If any Exhibit is inapplicable, make a statement to that effect. When filing an amendment, provide a description of the changes and file a complete and updated Exhibit.

1. CORPORATE GOVERNANCE

Exhibit A A copy of the constating documents, including corporate by-laws and other similar documents, and all subsequent amendments.

Exhibit B For each affiliated entity of RS Inc., has a contractual or other agreement relating to the operation of the system to be used by RS Inc. to carry out its regulation functions (the "System"), provide the following information:

1. Name and address of person or company.
2. Form of organization (e.g., association, corporation, partnership, etc.).
3. Location and statute citation under which organized. Date of incorporation in present form.
4. Brief description of nature and extent of affiliation or contractual or other agreement with RS Inc.
5. Brief description of business or functions. Description should include responsibilities with respect to operation of the System.
6. If a person or company has ceased to be an affiliated entity of RS Inc. during the previous year or ceased to have a contractual or other agreement relating to the operation of a System during the previous year, provide a brief statement of the reasons for termination of the relationship.

Exhibit C Provide a list of partners, directors, officers, governors, members of all board and standing committees, or persons performing similar functions, who presently hold or have held their offices or positions during the previous year, indicating the following for each:

1. Name.
2. Title.
3. Dates of commencement and expiry of present term of office or position and length of time position held.
4. Type of business in which each is primarily engaged and current employer.
5. Type of business in which each was primarily engaged in the preceding five years, if different from that set out in item 4.
6. Whether the person is considered to be an independent director.

Exhibit D Provide a list of each shareholder that directly owns five percent or more of a class of a voting security of RS Inc. For each of the persons listed in this Exhibit, please provide the following:

1. Full legal name.
2. Title or status.
3. Date title or status was acquired.
4. Approximate ownership interest.
5. Whether the person has control of RS Inc. (as interpreted in subsection 1.3(2) of National Instrument 21-101 Marketplace Operation).

2. RULES

Exhibit E With the initial filing, provide a copy of all by-laws, rules, policies and other similar instruments of RS Inc. that are not included in Exhibit A.

3. SYSTEMS AND OPERATIONS

Exhibit F Describe the manner of operation of the System. This description should include the following:

SRO Notices and Disciplinary Decisions

1. A detailed description of the surveillance tools that comprise the System.
2. The means of access to the System.
3. The hours of operation of the System, and the date on which RS Inc. intends to commence operation of the System.
4. Description of current and future capacity estimates, contingency and business continuity plans and the procedures to review and test methodology of the System and to perform stress testing.

Exhibit G Provide a list of all securities for which RS Inc. performs regulation functions.

4. ACCESS

Exhibit H Provide a list of marketplaces for which RS Inc. provides regulation services, and for each marketplace provide the following information:

1. Name.
2. Date of the agreement between the marketplace and RS Inc.
3. Principal business address and telephone number.

5. FEES

Exhibit I Provide a description of all fees to be paid by marketplaces or marketplace participants and how such fees are set.

6. FINANCIAL VIABILITY

Exhibit J¹¹ Provide audited financial statements of RS Inc. and a report prepared by an independent auditor.

7. REGULATION

Exhibit K Provide a description of the regulation services performed by RS Inc., including the structure of RS Inc., policies and procedures in place to ensure confidentiality, policies and procedures relating to conducting an investigation and its disciplinary process.

Exhibit L Provide the contracts between RS Inc. and each marketplace for which RS Inc. is performing regulation services.

Exhibit M If more than one entity is performing regulation services for a type of security, provide the written agreement between RS Inc. and any other regulation services provider under section 7.5 of National Instrument 23-101.

CERTIFICATE OF MARKET REGULATION SERVICES INC.

The undersigned certifies that the information given in this report is true and correct.

DATED at _____ this ____ day of _____ 20__

(Name of exchange or quotation and trade reporting system)

(Name of director, officer or partner - please type or print)

(Signature of director, officer or partner)

(Official capacity - please type or print)

¹¹ For the initial filing, future oriented financial information should be provided instead of the information specified in Exhibit J.

APPENDIX C

REPORTING OBLIGATIONS

[This appendix will contain reporting obligations]

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Chapter 25

Other Information

25.1 Approvals

25.1.1 Viking Capital Corporation - Loan and Trust Corporations Act - s. 213(3)(b)

Headnote

Subsection 213(3)(b) of the Loan and Trust Corporations Act - application for approval to act as trustee.

Statutes Cited

Loan and Trust Corporations Act, R.S.O. 1990, c.L.25, as am., ss.213(3)(b).

Rules Cited

National Instrument 81-102, Mutual Funds (1999) 22 OSCB (Supp.) 73.

Ontario Securities Commission Approval 81-901, Approval of Trustees of Mutual Fund Trusts (1997) 20 OSCB 200.

September 28th, 2001.

Blake, Cassels & Graydon LLP

Attention: Michael W. Sharp

Dear Sirs/Mesdames:

Re: Viking Capital Corporation ("Viking Capital" or the "Applicant") for approval for Viking Capital to act as trustee of the Global Strategy Discovery Fund (the "Fund")

Further to the application dated September 13, 2001 and subsequent correspondence dated September 24, 2001 (collectively, the "Application") filed on behalf of the Applicant and based on the facts set out in the Application, pursuant to the authority conferred on the Ontario Securities Commission (the "Commission") in clause 213(3)(b) of the *Loan and Trust Corporations Act* (Ontario), the Commission approves the proposal that Viking Capital act as trustee of the Fund which it manages.

"J. A. Geller"

"R. Stephen Paddon"

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