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**Notice 2001/08/17 — Notice of Commission Approval of Agreement between the OSC, ASC, BCSC, SSC, NSSC, CVMQ and IDA Re. Oversight Plan**

**Issue:** August 17, 2001

**Citation:** 24 O.S.C.B. 4968

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*Notice of Commission Approval of Agreement between the Ontario Securities Commission (the “OSC”), the Alberta Securities Commission (the “ASC”), the British Columbia Securities Commission (the “BCSC”), the Saskatchewan Securities Commission (the “SSC”), the Nova Scotia Securities Commission (the “NSSC”) (collectively the “recognising jurisdictions”), the Commission des valeurs mobilières du Québec (the “CVMQ”) and the Investment Dealers Association (the “IDA”) re: Coordinated Oversight Plan of the Investment Dealers Association by the Canadian Securities Administrators and Monthly Reporting Requirements (collectively the “Agreement”)*

On July 5, 2001, the OSC approved an Agreement setting out the terms of an oversight plan of the IDA by the recognizing jurisdictions and the CVMQ, who are all members of the CSA. The Agreement is being published in the OSC Bulletin on August 17, 2001.

The Agreement is subject to the approval of the Minister of Finance, pursuant to section 143.10 of the Securities Act (Ontario). The Agreement was delivered to the Minister on August 13, 2001.

June 5, 2001

Joseph Oliver, President  
The Investment Dealers Association of Canada  
Suite 1600, 121 King Street West  
Toronto, Ontario  
M5H 3T9

Dear Mr. Oliver:

*Re: Coordination of Oversight of the Investment Dealers Association by the Canadian Securities Administrators*

The Canadian Securities Administrators (the “CSA”) recognize that the Investment Dealers Association (the “IDA”) plays a significant role in the regulation of market intermediaries in Canada. Many CSA jurisdictions have recognized the IDA and in those jurisdictions the IDA is subject to recognition orders which contain various terms and conditions of recognition. The CSA rely on the IDA to undertake day to day regulation of its member dealers and their salespersons. In relying on the IDA as a self-regulatory organization, the CSA have a responsibility to perform appropriate supervision of the IDA and ensure the IDA regulates its members consistently and

fairly and continues to apply an appropriate standard of regulation.

The CSA have considered the challenges and opportunities raised by recognition of the IDA in multiple jurisdictions and the CSA agree that a plan should be adopted across the CSA in order to promote a more effective and efficient system of oversight. Increased reliance amongst CSA jurisdictions will streamline the decision-making process and effectively focus CSA resources for IDA oversight. The IDA will, in our view, receive the benefit of a coordinated and timely response to proposed changes or concerns.

This letter describes in detail the oversight plan that has been developed.

### **CSA Committee on SRO Oversight**

In recognition of the need to co-ordinate the CSA's approach to oversight of the IDA and other SROs, the CSA Committee on SRO Oversight (the "Committee") was struck. The Committee includes staff from several CSA jurisdictions and reports to the CSA Chairs. The Committee's mandate is to develop a consistent approach to IDA oversight by all jurisdictions, promote mutual reliance among CSA jurisdictions and to develop a consistent reporting mechanism between the IDA and the CSA jurisdictions. The Committee acts as a forum for discussion and resolution of national issues pertaining to SROs and a forum for co-ordination between the CSA and Canadian Investor Protection Fund (the "CIPF") for oversight of the financial compliance function of the IDA.

The Committee's immediate objective is to develop a model for oversight of the member regulation functions which includes:

- (1) review of the IDA's corporate governance structure,
- (2) co-ordination of an examination of member regulation functions of the IDA,
- (3) co-ordination of review and approval of IDA rules,
- (4) harmonization of the terms and conditions of recognition of the IDA, and
- (5) harmonization of IDA reporting requirements pursuant to obligations under recognition orders and undertakings.

### **Definitions**

For the purpose of this letter and all appendices and schedules:

"principal regulator" means the CSA jurisdiction leading an examination or rule review,

"recognizing regulator" means a CSA jurisdiction that has formally recognized the IDA as a SRO under its legislation

"participating regulator" means a CSA jurisdiction that has not recognized the IDA and therefore does not have decision making ability with respect to the IDA, but wishes to participate in the oversight program

## **IDA Member Regulation**

For the purposes of the CSA oversight program, the IDA's member regulation functions fall into the following categories:

- *regulatory policy*, the development of new rules and policies,
- *registration and membership*, the consideration and approval of applications from approved persons and member firms,
- *sales compliance*, the review of compliance by members with IDA rules and securities legislation in areas that do not relate to capital, segregation of assets or insurance,
- *financial compliance*, work related to compliance with securities legislative requirements, IDA rules and the minimum standards developed by the CIPF pursuant to the CSA/CIPF Agreement dated July 2, 1991 which include an annual financial compliance examination of each member firm,
- *enforcement*, the receipt, investigation and resolution of complaints and the prosecution of cases in which there has been violation of IDA rules or securities legislation by IDA member firms and employees.

As a means of performing oversight of these functions effectively, CSA jurisdictions review and approve rules and rule changes, review and approve material changes to IDA operations and perform examinations of the IDA's member regulation functions.

## **Corporate Governance**

The CSA regard the governance structure of the IDA as central to the IDA's ability to carry out effective member regulation. The CSA will, therefore, include a review of reporting structures, committee mandates, and governance process in its examination of regional and head office functions.

## **Examination of Member Regulation Functions**

The CSA have developed an oversight examination program for the IDA, the purpose of which is:

- (1) to determine compliance with the terms and conditions of IDA recognition and related undertakings,
- (2) to ensure that the IDA continues to have appropriate corporate governance structure procedures and resources to fulfil its regulatory obligations,
- (3) to ensure that IDA's core member regulation functions are being performed appropriately and there is consistent enforcement of securities laws and IDA rules,
- (4) to identify and address any deficiencies in the IDA's functioning as a self-regulatory organization, and ensure the effective resolution of these deficiencies,
- (5) to assess the effectiveness of the CIPF's oversight of the IDA's financial compliance

function in order to establish reliance on the CIPF.

In view of these objectives, the CSA intend to carry out periodic examinations of the IDA.

## **1. — Head Office Examination**

The Ontario Securities Commission (the “OSC”) is the principal regulator for the purpose of the IDA head office examinations. It is anticipated that a full review of the functions carried out at head office will be completed every 3 years. The review may include participation of staff from recognizing and participating regulators. OSC staff will develop the examination program in consultation with staff of recognizing and participating regulators. The examination program will be approved by the Committee prior to its implementation. OSC staff will be responsible for adequate staffing of the review, drafting reports and reporting to the Committee on the status and results of the examination.

At the conclusion of a head office review OSC staff will finalize a report and send it to the IDA for comment. The IDA will review the report and respond with comments within 15 business days of receipt. OSC staff will consider the IDA's comments and revise the report as necessary within 10 business days of receiving the IDA's comments. OSC staff will then forward a copy of the report and the IDA's comments to the participating and recognizing regulators for comment. The participating and recognizing regulators will review the report and the IDA's comments and respond with comments within 10 business days of receipt. OSC staff will consider the participating and recognizing regulators' comments, revise the report as necessary, then release the final report to the IDA. A copy of the report will be forwarded to the Committee and to the CSA Chairs. A copy of the portion of the report pertaining to the sales compliance and financial compliance functions (or other information the Committee deems appropriate) will also be forwarded to the CIPF.

## **2. — Regional Office Examinations**

### ***a. — Pacific District Office***

The British Columbia Securities Commission (the “BCSC”) is the principal regulator for the purpose of Pacific District office examinations. It is anticipated that a review of the Pacific District office will be completed every 3 years. The review may include participation of staff from recognizing and participating regulators. BCSC staff will develop the examination program in consultation with staff of recognizing and participating regulators. The examination program will be approved by the Committee prior to its implementation. BCSC staff will be responsible for adequate staffing of the review, drafting reports and reporting to the Committee on the status and results of the examination.

At the conclusion of a Pacific District office review BCSC staff will finalize a report and send it to the IDA for comment. The IDA will review the report and respond with comments within 15 business days of receipt. BCSC staff will consider the IDA's comments and revise the report as necessary within 10 business days of receiving the IDA's comments. BCSC staff will then forward

a copy of the report and the IDA's comments to the participating and recognizing regulators for comment. The participating and recognizing regulators will review the report and the IDA's comments and respond with comments within 10 business days of receipt. BCSC staff will consider these comments, revise the report as necessary, then release the final report to the IDA. A copy of the report will be forwarded to the Committee and to the CSA Chairs. A copy of the portion of the report pertaining to the sales compliance and financial compliance functions (or other information the Committee deems appropriate) will also be forwarded to the CIPF.

*b. — Prairie District Office*

The Alberta Securities Commission (the “ASC”) is the principal regulator for the purpose of the Prairie District office examinations. It is anticipated that an examination of the Prairie District office will be completed every 3 years. The review may include participation of staff from recognizing and participating regulators. ASC staff will develop the examination program with staff of recognizing and participating regulators. The examination program will be approved by the Committee prior to its implementation. ASC staff will be responsible for adequate staffing of the review, drafting reports and reporting to the Committee on the status and results of the examination.

At the conclusion of a Prairie District office review ASC staff will finalize a report and send it to the IDA for comment. The IDA will review the report and respond with comments within 15 business days of receipt. ASC staff will consider the IDA's comments and revise the report as necessary within 10 business days of receiving the IDA's comments. ASC staff will then forward a copy of the report and the IDA's comments to the participating and recognizing regulators for comment. The participating and recognizing regulators will review the report and the IDA's comments and respond with comments within 10 business days of receipt. ASC staff will consider these comments, revise the report as necessary, then release the final report to the IDA. A copy of the report will be forwarded to the Committee and to the CSA Chairs. A copy of the portion of the report pertaining to the sales compliance and financial compliance functions (or other information the Committee deems appropriate) will also be forwarded to the CIPF.

*c. — Québec District Office*

The Commission des valeurs mobilières du Québec (the “CVMQ”) is the principal regulator for the purpose of the Québec District office examinations. It is anticipated that a review of the Québec District office will be completed every 3 years. The review may include participation of staff from recognizing and participating regulators. CVMQ staff will develop the examination program in consultation with staff of recognizing and participating regulators. The examination program will be approved by the Committee prior to its implementation. CVMQ staff will be responsible for adequate staffing of the review, drafting reports and reporting to the Committee on the status and result of the examination.

At the conclusion of a Québec District office review CVMQ staff will finalize a report and send it to the IDA for comment. The IDA will review the report and respond with comments within 15

business days of receipt. CVMQ staff will consider the IDA's comments and revise the report as necessary within 10 business days of receiving the IDA's comments. CVMQ staff will then forward a copy of the report and the IDA's comments to the participating and recognizing regulators for comment. The participating and recognizing regulators will review the report and the IDA's comments and respond with comments within 10 business days of receipt. CVMQ staff will consider these comments, revise the report as necessary, then release the final report to the IDA. A copy of the report will be forwarded to the Committee and to the CSA Chairs. A copy of the portion of the report pertaining to the sales compliance and financial compliance functions (or other information the Committee deems appropriate) will also be forwarded to the CIPF.

#### *d. — Other Offices*

Should the IDA open an office in another jurisdiction that has recognized the IDA and that office assumes member regulation functions, or if an existing office that does not have member regulation functions assumes member regulation functions, we expect that jurisdiction will take the lead role in examining the office. Examinations of this office will follow the form described above. The IDA will be responsible for informing the recognizing regulator, in writing, of all offices opened and the responsibilities of that office. If an existing office assumes member regulation functions, the IDA will inform the recognizing regulator, in writing, of this situation.

#### **Examination Follow-up**

The principal regulator shall forward a finalized examination report to the IDA for a response. The IDA shall use its best efforts to respond to the report within 30 days of receipt. The principal regulator will review the IDA response and develop a follow-up plan. The principal regulator will continue to regularly update the Committee on the plan's implementation and any other action taken.

#### **Interim Examinations**

Although the Committee will co-ordinate regular examinations as described above, each recognizing regulator and the CVMQ retain the ability under the various recognition orders and legislation, to perform an examination of the IDA. The recognizing regulator will provide prior notice of an interim examination to the Committee and will make every effort to co-ordinate an interim examination through the principal regulator.

#### **CIPF Examination**

As part of oversight of the IDA, where appropriate the CSA will rely on the CIPF to oversee the IDA's financial compliance function. In order to establish reliance on the CIPF's oversight, the CSA will carry out examinations of the CIPF. The OSC is the principal regulator for the purpose of the CIPF examination. It is anticipated that an examination of the CIPF will be completed every 3 years. The examination may include participation of staff from recognizing and participating regulators. OSC staff will develop the examination program in consultation with staff of

recognizing and participating regulators. The examination program will be approved by the Committee prior to its implementation. OSC staff will be responsible for adequate staffing of the review, drafting reports and reporting to the Committee on the status and results of the examination.

At the conclusion of a CIPF examination OSC staff will finalize a report and send it to the CIPF for comment. The CIPF will review the report and respond with comments within 15 business days of receipt. OSC staff will consider these comments and revise the report as necessary within 10 business days of receiving the CIPF's comments. OSC staff will then forward a copy of the report and the CIPF's comments to the participating and recognizing regulators for comment. The participating and recognizing regulators will review the report and the CIPF's comments and respond with comments within 10 business days of receipt. OSC staff will consider these comments, revise the report as necessary, then release the final report to the CIPF. A copy of the report will be forwarded to the Committee and to the CSA Chairs.

### **Examination Follow-up**

The principal regulator shall forward a finalized examination report to the CIPF for a response. The CIPF shall use its best efforts to respond to the report within 30 days of receipt. The principal regulator will review the CIPF response and develop a follow-up plan. The principal regulator will present the plan to the Committee for approval and will continue to regularly update the Committee on the plan's implementation.

### **Rule Review**

In accordance with the various recognition orders and terms of recognition set out in legislation, the ASC, BCSC, SSC and OSC must approve or non-disapprove all IDA rules and rule changes. The NSSC must receive notice of all such rules and rule changes. It is contemplated that subsequent recognition by other jurisdictions will contain similar requirements.

In order to provide greater consistency and co-operation and to render the process more efficient, the Committee has developed a joint rule protocol, attached as Appendix A to this letter, setting out the requirements for all such filings. The CSA agree to make every effort to rely on the principal regulator in considering rules. The OSC will act as principal regulator for the purpose of approval of rules and rule amendments.

### **Terms and Conditions of Recognition**

The Committee is committed to harmonizing terms and conditions of IDA recognition by CSA jurisdictions insofar as possible. The Committee agrees to draft a model recognition order.

### **Reporting Obligations**

#### ***1. — Periodic Reporting***

The CSA agree to harmonize reporting requirements in order to allow the IDA to make identical reports to each recognizing regulator and participating regulator insofar as possible. The reporting requirements are set out in Appendix B to this letter. The CSA will review and revise the reporting requirements as necessary on an on-going basis.

## **2. — Annual Self-Assessment**

Pursuant to the various recognition orders, the IDA is required to make an annual assessment of the performance of its member regulation functions. The CSA has agreed that a uniform self-assessment should be filed by the IDA with all recognizing regulators and participating regulators. The annual self-assessment prepared should be reported to the CSA within 120 days of the calendar year end. This assessment should set performance measurements against which performance can be compared, identify major successes, significant problem areas, plans to resolve these problems, and recruitment and training plans. The assessment should include a review of all of the IDA's member regulation functions. It should also include comments on the overall effectiveness of the CSA's IDA oversight process and recommendations for improvement.

## **3. — Other Annual Reporting**

The IDA shall provide copies of annual audited financial statements and its annual budget within 120 days of its fiscal year end, to each recognizing regulator and participating regulator. The financial statements and budget shall include particulars with respect to each jurisdiction. The IDA must also provide details of the staff complement in each jurisdiction, any changes to the complement in the past year and any proposed changes.

## **4. — CSA Co-ordination**

The Committee will use its best efforts to co-ordinate the response of the CSA jurisdictions to IDA reports described in this section.

## **Status Meetings**

In order to facilitate this co-ordinated process, the Committee will hold a quarterly conference call with IDA staff to discuss upcoming policy, rule or operational changes at the IDA and the status of approval of these changes at the CSA. Agendas for and minutes of the each meeting will be distributed to all CSA Steering Committee members and the IDA.

## **Committee Reporting**

The Committee will provide the CSA Chairs with an annual report that will include a summary of all oversight activities undertaken by the Committee. The first report will be made at the spring meeting of the CSA in 2002.

## **Staff Contact**

The CSA will provide the IDA with a contact list for a key staff person in each jurisdiction for the purposes of rule review, reporting and examinations.

### **Effective Date**

This oversight plan comes into effect in the five recognizing jurisdictions of British Columbia, Alberta, Saskatchewan, Ontario and Nova Scotia on the date it is approved by the Minister of Finance in Ontario pursuant to Section 143.10 of the Ontario Securities Act. In the participating jurisdiction of Québec, pursuant to Section 3.12 of the Act respecting the ministère du Conseil exécutif, the CVMQ must obtain the authorization of the Minister for Canadian Intergovernmental Affairs before approving such an oversight plan. Once this authorization is obtained, the oversight plan will come into effect on the date it is approved by the CVMQ.

We trust that the co-ordinated oversight process described is one that will be consistent and efficient and therefore effective in carrying out the CSA's oversight of the IDA.

IN WITNESS WHEREOF the parties here to have executed this oversight plan, in duplicate, in French and in English, both versions being equally authentic, under the hands of their proper officers duly authorized in that behalf.

Alberta Securities Commission

Per: "Stephen Sibold"

Title: Chair

Date: August 7, 2001

British Columbia Securities Commission

Per: "Douglas M. Hyndman"

Title: Chair

Date: June 18, 2001

Saskatchewan Securities Commission

Per: "Marcel de la Gorgendière"

Title: Chairperson

Date: June 7, 2001

Ontario Securities Commission

Per: "Paul Moore"

Title: Vice Chair

Date: June 5, 2001

Nova Scotia Securities Commission

Per: "Robert B. MacLellan"

Title: Chair

Date: June 22, 2001

Commission des valeurs mobilières du Québec

Per:

Title:

Date:

As President of the Investment Dealers Association of Canada, I agree with the foregoing oversight plan.

“Joseph J. Oliver”

Joseph J. Oliver

President, Investment Dealers Association of Canada

## **Appendix A — Joint Rule Protocol**

### **1. — Scope of the Protocol**

In accordance with the various recognition orders and terms of recognition set out in legislation, the Alberta Securities Commission, British Columbia Securities Commission and the Ontario Securities Commission must approve or non-disapprove all IDA rules and rule changes. The Nova Scotia Securities Commission (the “NSSC”) must receive notice of all proposed rules and rule changes and notice upon implementation of those rules and rule changes. It is contemplated that subsequent recognition by other jurisdictions will contain similar requirements.

To comply with these requirements, the IDA shall file all by-laws, rules, regulations and policies and amendments of by-laws, rules, regulations and policies adopted by the Board of Directors of the IDA (collectively, the “Rules”) with all recognizing regulators, except for the NSSC, for approval or non-disapproval (“approval”), and with the NSSC for notice and upon implementation of the Rules.

This Protocol:

- (a) imposes obligations on the IDA when it submits Rules for approval,
- (b) imposes obligations on the recognizing regulators to co-ordinate the review of Rules submitted by the IDA, and
- (c) describes the procedure for co-ordination, review and approval.

### **2. — Classification of Rule**

The IDA shall characterize a Rule as either public interest or housekeeping for the purposes of the approval process set out in this Protocol.

#### ***(a) — Public Interest v. Housekeeping***

The IDA materials shall include a statement classifying the Rule as public interest or housekeeping and an analysis of the classification.

A public interest Rule would be any Rule that, in the opinion of the Board of Governors of the IDA (the “Board”):

- (i) affects the application of the securities legislation<sup>\*(1)</sup>; or

(ii) could affect (either positive or negative) investors, issuers, members, registrants or the capital markets in any province or territory of Canada.

Any Rule falling outside of this definition would be categorized by the Board as a housekeeping Rule.

### **(b) — Disagreement on Characterization of a Rule**

The IDA will determine whether the Rule is housekeeping or public interest and provide notice of this assessment in the materials filed with the recognizing regulators. If one recognizing regulator is of the opinion that the Rule is incorrectly classified as housekeeping, the objecting recognizing regulator will provide to the other recognizing regulators and the IDA an analysis of the reasons for disagreeing with the classification within five days of receiving the Rule. All recognizing regulators and the IDA will discuss the analysis and if the recognizing regulators cannot agree on the classification, a meeting between the Chairs of the recognizing regulators shall be arranged by the principal regulator. If the Chairs agree to classify the Rule as a public interest Rule, the Rule will be subject to the review process in paragraph 4.

## **3. — Required Materials**

Each Rule must be accompanied by materials in support of an approval from the recognizing regulators. The IDA shall file these materials with the contact person at the recognizing regulators. The materials shall include the information set out in the following paragraphs.

### **(a) — Public Interest Rules**

#### *(i) — Description of Rule and Rule Impact*

The materials shall include a concise statement, together with supporting analysis, of the nature, purposes and effects of the Rule, including the possible effects of the Rule on market structure, members, non-members, competition and the costs of compliance.

#### *(ii) — Description of Rule Making Process*

The materials shall include a description of the context in which the Rule was developed, the process followed, the issues considered, the alternative approaches considered and rejected (including reasons) and a review of the implementation plan.

#### *(iii) — Reference to Other Jurisdictions*

The IDA shall also advise the recognizing regulators if another SRO is making a simultaneous filing in another jurisdiction relating to the public interest matter that is the subject of a Rule. Where the IDA is aware that another SRO or other regulator in Canada, the U.S. or other jurisdiction has a counterpart to any proposed Rule, the IDA shall compare the Rule to such counterpart, noting and explaining any differences between the proposed Rule and any such

counterpart.

*(iv) — Systems Impact of Rule*

If the Rule requires technology systems changes to be made by members or other market participants, the IDA shall provide the recognizing regulators with a description of the implications of the Rule on systems and, where possible an implementation plan, including a description of how the policy will be implemented and the timing of the implementation.

*(v) — Best Interests of the Capital Markets*

The materials shall include a statement that the Board has determined that the public interest Rule is not detrimental to the best interests of the capital markets.

*(b) — Housekeeping Rules*

The materials relating to a housekeeping Rule shall include the reason(s) that the Rule is considered not to be a public interest Rule and any applicable information set out in subparagraph 3(a).

**4. — Rule Review Process — Public Interest Rules**

*(a) — Prior Notice of Public Interest Rules*

Where the IDA is developing a public interest Rule that the IDA anticipates will result in a change in IDA policy, a change in the systems of members or other participants in the capital markets, amendments to a number of other Rules or may be the subject of public comment as a result of publication, the IDA shall use its best efforts to notify the recognizing regulators at least 7 days prior to filing the Rule with the principal regulator. The purpose of such prior notification is to enable the recognizing regulator to react in a timely way to the proposal upon filing. Prior notification shall not be interpreted by the recognizing regulators as an opportunity to participate in IDA policy development. The recognizing regulators will not begin a substantive review of the Rule until all relevant materials are filed.

*(b) — Publication of Public Interest Rules for Comment*

The IDA shall prepare a notice regarding the public interest Rule to be published by recognizing regulators at the same time as the Rule for a thirty day comment period. A recognizing regulator may publish the public interest Rule in its bulletin or on its website. The thirty day period is triggered by the first appearance of the public interest Rule in a bulletin or on a website of a recognizing regulator. Staff of the recognizing regulators shall use their best efforts to ensure publication of public interest Rules immediately following filing of the public interest Rule with recognizing regulators.

The notice regarding the public interest Rule shall indicate that all comments should be sent to the

IDA and the recognizing regulators. The IDA should make available to the public on request all comments received unless an author specifically requests confidentiality. This shall be noted in the request for comments, as shall the caveat that access to confidential comments shall not be permitted except as may be required by law.

**(c) — Staff Review**

(i) The principal regulator will immediately send confirmation of receipt of the Rule to the IDA, copying the recognizing regulators.

(ii) The principal regulator shall use their best efforts to conduct their initial internal review of all public interest Rules during the 30-day request for comment period. This paragraph does not restrict the amount of time that may be necessary for the recognizing regulators to consider any comments received during the comment period.

(iii) The IDA shall provide the recognizing regulators with a summary of all comments, if any, and the IDA's responses to the comments received. The summary shall be published with the final notice of approval set out in paragraph 11. The IDA shall inform the recognizing regulators in writing if no comments are received.

(iv) The principal regulator will prepare a draft comment letter within 7 days of receipt of the IDA comment summary and response or written confirmation that no comments were received.

(v) The principal regulator will send the draft comment letter or confirmation to all recognizing regulators. If the principal regulator has no comments, the principal regulator shall send a confirmation of that fact to the recognizing regulators.

(vi) Every recognizing regulator will respond with material comments within 7 days of the date of the draft comment letter or confirmation referred to in (iv). If no comments are received within the 7 days, the principal regulator shall assume that the recognizing regulators have no comments.

(vii) The principal regulator will review comments received and forward the appropriate comments by letter to the IDA within 3 days of receipt of the comments of the recognizing regulator, with a copy to all recognizing regulators. If the recognizing regulators have no comments, then the principal regulator shall send confirmation to the IDA.

(viii) The IDA will respond in writing to the comment letter sent by the principal regulator, with a copy to all recognizing regulators.

(ix) The principal regulator will use its best efforts to resolve all issues that have been raised by recognizing regulators and the public with the IDA on a timely basis and will consult as needed.

**5. — Rule Review Process — Housekeeping Rules**

**(a) — Staff Review**

(i) The principal regulator will immediately send confirmation of receipt of the Rule to the IDA, copying the recognizing regulators.

(ii) The principal regulator will review the Rule and send the draft comment letter to all recognizing regulators. If the principal regulator has no comments, then the principal regulator shall send a confirmation of that fact to all recognizing regulators.

(iii) Every recognizing regulator will respond with material comments within 7 days of the date of the draft comment letter or confirmation referred to in (ii). If no comments are received within the 7 days, the principal regulator shall assume that the recognizing regulator has no comments.

(iv) The principal regulator will review the comments and forward the appropriate comments by letter to the IDA within 3 days of receipt of the comments of the recognizing regulator, with a copy to all recognizing regulators. If the recognizing regulators have no comments, then the principal regulator shall send confirmation to the IDA.

(v) The IDA will respond in writing to the comment letter sent by the principal regulator, with a copy to all recognizing regulators.

(vi) The principal regulator will use its best efforts to resolve all issues that have been raised by regulators and the public with the IDA on a timely basis and will consult as needed.

#### ***(b) — Publication***

Housekeeping Rules approved by the recognizing regulators may be published by a recognizing regulator either in its bulletin or on its website or both after the approval has been given, together with the information described in subparagraph 3(a), as appropriate. The recognizing regulator will notify the IDA when the Rule is published.

If comments are raised in response to the publication, the principal regulator may exercise its public interest discretion to review the rule in light of the comments raised.

### **6. — Rule Review Process — Immediate Implementation**

The IDA may make a public interest Rule effective immediately upon adoption by the Board where the Board determines that there is an urgent need to implement the Rule because of a substantial risk of material harm to investors, registrants, members, the Canadian Investor Protection Fund or the IDA.

#### ***(a) — Prior Notification***

Should the IDA believe that immediate implementation is appropriate, IDA staff shall advise the recognizing regulators at least 2 business days prior to the Rule receiving Board approval. Such notice shall be in writing and shall include analysis in support of the need for immediate implementation.

#### ***(b) — Disagreement on Need for Immediate Implementation***

If a recognizing regulator does not agree that immediate implementation is necessary, the recognizing regulator shall within 1 business day after receiving the Rule, notify the other

recognizing regulators. The principal regulator will notify the IDA within 2 business days of receiving the notice. At that point, the IDA and the principal regulator shall discuss and attempt to resolve any concerns raised by the recognizing regulator on a timely basis. If the concerns are not resolved to the satisfaction of all recognizing regulators, the Rule cannot be immediately implemented.

If no notice is received by the IDA within 3 business days of the recognizing regulators receiving the notice, the IDA shall assume that recognizing regulators agree with its assessment.

### ***(c) — Effective Date of the Rule***

Rules deemed appropriate for immediate implementation shall be effective at such time as every recognizing regulator makes its decision approving immediate implementation or is deemed to have approved the immediate implementation or until such date determined by the IDA. Even though immediately implemented, the Rule shall be published for comment, and shall be reviewed and considered for approval by the recognizing regulators as a public interest Rule. If a recognizing regulator decides not to approve the Rule, the IDA shall amend the Rule, in a manner satisfactory to the recognizing regulator, or repeal it.

## **7. — Criteria for Review**

Recognizing regulators shall take the following criteria into account when determining whether to approve a Rule:

- (a) the Rule is not contrary to the public interest;
- (b) the Rule is designed to ensure compliance with securities legislation;
- (c) the Rule prevents fraudulent and manipulative acts and practices and promotes the protection of investors and just and equitable principles of trade and high standards of operations, business conduct and ethics;
- (d) the Rule generally promotes public confidence and public understanding of the goals and activities of the IDA, to educate the public about saving and investment generally and to improve the competence of members and their salespersons;
- (e) the Rule facilitates an efficient capital-raising process and facilitates transparent, efficient and fair secondary market trading and the availability to members and investors of information with respect to offers and quotations for and transactions in securities and efficient clearance and settlement procedures;
- (f) the Rule facilitates fair and open competition in securities transactions generally;
- (g) the Rule standardizes industry practices where necessary or desirable for investor protection;
- (h) the Rule provides for the administration of the affairs of the IDA; and
- (i) the Rule does not

- (i) permit unfair discrimination among customers, issuers, brokers, dealers, members or others; or
- (ii) impose any burden on competition that is not necessary or appropriate in furtherance of the above.

## **8. — Decision Making Process**

### ***(a) — Decision Document***

The principal regulator will prepare a decision document for approval by the recognizing regulators.

### ***(b) — Decision Makers***

Staff of each recognizing regulator will be responsible for presenting the decision document to its decision maker for approval within one month of receiving the decision document. Once the Rule is approved, the recognizing regulator will inform the principal regulator of the approval.

### ***(c) — Notice of Approval***

The principal regulator will communicate all approvals to the IDA.

A notice of the approval will be published in accordance with paragraph 11.

### ***(d) — Disagreement between Recognizing Regulators***

In the event that there is disagreement between recognizing regulators with respect to the approval of the Rule, the principal regulator will arrange for Chairs of each of the recognizing regulators to discuss and resolve the issues within two weeks of the principal regulator becoming aware of the disagreement. If, after consultations, the Chairs are unable to agree on the appropriate outcome for the proposed submission, the IDA will not be able to proceed with the Rule.

## **9. — Effective Date of Rules**

Public interest Rules and housekeeping Rules shall be effective as of the date of the notification of the approval by the principal regulator to the IDA or if after approval, on the date determined by the IDA.

## **10. — Material Revisions to Public Interest Rules**

When any public interest Rule is revised subsequent to its publication for comment in a way that has a material effect on the Rule's substance and/or effect, the principal regulator, together with the IDA, will determine whether the revision should be published in the OSC Bulletin with a notice for a second 30-day comment period. The request for comment shall include the IDA's summary of comments and responses submitted in response to the previous request for comments, together with

an explanation of the revision to the Rule and the supporting rationale for the amendment.

## **11. — Publication of Notice of Approval**

Notice of approval of public interest Rules shall be prepared by the principal regulator and published in the OSC Bulletin. Other recognizing regulators may publish the approval in their bulletins or on their websites. The notice of approval shall provide a short summary of the Rule prepared by the IDA. All such notices relating to public interest Rules shall also include the IDA's summary of comments and responses, if applicable.

Housekeeping Rules shall be published in the OSC Bulletin after approval, together with a notice of approval and a summary of the housekeeping Rule. Other recognizing regulators may publish housekeeping Rules, the notice of approval and summary of the Rule in their bulletin or on their website.

## **12. — Waiving Provisions of the Protocol**

The recognizing regulators, through the principal regulator, may waive any part of this Protocol upon request from the IDA. Such a waiver must be granted in writing.

# **Appendix B — Reporting Requirements**

## **B.1 — Financial Compliance**

### ***B.1.1 — Immediate Notification on Reportable Conditions***

The IDA shall promptly report to the CIPF where any member has failed to file on a timely basis any required financial reports.

The IDA shall promptly notify the CIPF of the triggering of all early warning thresholds which would reasonably be expected to raise concerns about a member's liquidity, risk-adjusted capital or profitability.

The IDA shall promptly report to the CIPF where serious fraud at a member is present or there exist serious deficiencies in supervision or internal controls or non-compliance with IDA rules or provincial securities law. The IDA shall identify the member and the misconduct or deficiency as well as the IDA's action plan to ensure that the identified problems are resolved.

The IDA shall advise the CIPF in advance of any proposed material changes or reductions in its financial compliance review program, including any proposed material changes as to the procedures and scope of the program.

## **B.2 — Sales Compliance**

### ***B.2.1 — Immediate Notification on Reportable Conditions***

The IDA shall promptly report to the relevant recognizing and participating regulators where

serious fraud at a member is present or there exist serious deficiencies in supervision or internal controls or non-compliance with IDA rules or provincial securities law. The IDA shall identify the member and the misconduct or deficiency as well as the IDA's action plan to ensure that the identified problems are resolved.

The IDA shall advise the relevant recognizing and participating regulators in advance of any proposed material changes or reductions in its operational and sales compliance review program, including any proposed material changes as to the procedures and scope of the program.

### ***B.2.2 — Examination Plan***

An examination plan should be submitted at the beginning of the IDA's fiscal year to the relevant recognizing and participating regulator summarizing the IDA Sales Compliance department's objectives for the upcoming year. The IDA plan should include, but not be limited to, the following items:

- planned examinations on a quarterly basis for the upcoming year by jurisdiction,
- human resources by jurisdiction that will be devoted to examination activities,
- number of head offices and branch offices that will be subject to an examination and identification of the members, and
- selection method used to determine which members will be subject to examination.

The IDA shall advise the relevant recognizing and participating regulators when material changes are made to the examination plan during the year.

### ***B.2.3 — Quarterly Reporting***

On a quarterly basis, the IDA shall report to the relevant recognizing and participating regulators a comparison of the IDA's Sales Compliance department results to their examination plan. This comparison should include an explanation of any variances of actual results compared to the examination plan, and an action plan to ensure that the variances are resolved. [*See Schedule B.2. "A" for a sample format*]

On a quarterly basis, the IDA shall notify the relevant recognizing and participating regulators of all examinations that were conducted since the last report. This notification shall include the identification of the member (head office or branch) the start date and expected completion date of the field work, the status of the examination, whether a report has been issued and the issue date, a summary of the material deficiencies identified as a result of the examination and the follow up actions planned by the IDA to ensure that the identified problems will be resolved. [*See Schedule B.2. "B" for a sample format*]

In addition, a narrative should be included with the quarterly reports that includes comments on revisions to the examination plan, any policy changes during the period and any on-going compliance initiatives.

**Schedule B.2 “A” — Examination Plan Variance Analysis — IDA Sales Compliance Department For the Fiscal Year Ended MMM/DD/YYYY**

PLAN	ACTUAL	VARIANCE	REASON FOR VARIANCE	ACTION PLAN
------	--------	----------	---------------------	-------------

**Schedule B.2 “B” — Summary of Examinations — IDA Sales Compliance Department For the Quarter Ended MMM/DD/YYYY**

MEMBER ISSUE DATE CIENCIAS REPORT	HO/ OF MATE- NATION	FIELD PLAN FIELD	STATUS	EXPECTED	REPORT DEFI-	REPORT DEFI-	SUMMARY START EXAMI-	ACTION DATE OF
---	---------------------------	------------------------	--------	----------	-----------------	-----------------	-------------------------	-------------------

N

**B.3 — Registration**

**B.3.1 — Quarterly Reporting**

On a quarterly basis, the IDA shall submit to the relevant recognizing and participating regulators an “Exemption” report summarizing all exemptions granted to salespersons or officers for proficiency requirements and all exemptions granted to individuals for full-time equivalent requirements during the period. The Exemption report shall not include non-discretionary exemptions set out in IDA Rules previously approved by the CSA. This summary should include the following information:

- the member or approved person's name,
- type of exemption approved during the period.
- date of the exemption, and
- a description of IDA staff's reason for the decision to approve the exemption.

*[See Schedule B.3 “A” for a sample format]*

On a quarterly basis, the IDA shall submit to the relevant recognizing and participating regulators a “Terms and Conditions” report summarizing any terms and conditions assigned to salespersons, officers or directors during the period. This report should include the following information:

- the member or approved person to whom the terms and conditions were assigned during the period,
- the date terms and conditions were assigned,
- the terms and conditions, and
- a description of the IDA staff's reason for decision.

*[See Schedule B.3. “B” for a sample format]*

In addition, a narrative should be included with the quarterly reports that includes comments on any policy changes during the period and any on-going registration initiatives.

### **Schedule B.3 “A” — Exemptions Granted — IDA Registration Department For the Quarter Ended MMM/DD/YYYY**

Name of Member or Approved Person	Type of Exemption	Date exemption granted	Staff's reason for the decision
---	----------------------	---------------------------	------------------------------------

### **Schedule B.3 “B” — Terms and Conditions Assigned — IDA Registration Department For the Quarter Ended MMM/DD/YYYY**

Name of Member or Approved Person	Description of Terms and Conditions	Date Terms and conditions attached to registration	Staff's reason for the decision
---	---	--	------------------------------------

## **B.4 — Enforcement**

### ***B.4.1 — Disciplinary and Settlements Hearings***

The public and media shall be advised of any disciplinary or settlement hearing by press release, promptly upon issuance of the notice of hearing and, in any event, not less than 10 days prior to the date of any such hearing, and such information shall also be published as the relevant recognizing and participating regulators may determine (i.e. in a website, bulletin) unless the relevant recognizing and participating regulators determine otherwise.

In the event that a settlement proposal is accepted in full at a settlement hearing, the terms of the settlement, including any discipline imposed and any written decision shall be promptly disclosed to the public and media by way of a press release and unless the relevant recognizing and participating regulators determine otherwise, publication in a website or bulletin or summary after notice having been given to the relevant recognizing and participating regulators.

The public and media shall be promptly notified by way of press release and, unless the relevant recognizing and participating regulators determine otherwise, publication in a website, or bulletin or summary of the disposition of any or all disciplinary actions, including any discipline imposed, and of any written decision and reasons, after notice having been given to the relevant recognizing and participating regulators.

Any notification under the above mentioned situations shall include, in addition to any other information specified therein, the names of the member and relevant Approved Persons together with a summary of circumstances.

### ***B.4.2 — Public Information***

The IDA shall maintain a register available to the public and media briefly summarizing the information contained in the Disciplinary and Settlements Hearings section noted above.

IDA disciplinary hearings (including settlement hearings) shall be open to the public and media except where required for the protection of confidential matters. The criteria for these exceptions shall be defined.

#### ***B.4.3 — Complaints and Investigations***

The relevant recognizing and participating regulators shall be promptly notified of the opening of all complaint files and all investigation files. Such notification should identify the member firm, the Approved Person, and the complainant and the IDA staff assigned.

The IDA shall not refrain from investigating complaints due to the anonymity of the complainant where the complaint is otherwise worthy of investigation and sufficiently detailed to permit the investigation.

#### ***B.4.4 — Confidentiality Restrictions***

The IDA shall preclude members from imposing confidentiality restrictions on clients vis-à-vis the IDA, or any recognizing or participating regulators, whether as part of the resolution of a dispute or otherwise.

#### ***B.4.5 — Reporting***

The relevant recognizing and participating regulators shall be provided on a quarterly basis, with summary statistics regarding the current caseload.

Such reports should include, but are not limited to:

- the number of files outstanding at the beginning and at the end of the period, by section
- the number of new files opened during the period, by section
- the number of files transferred between sections during the period.

*[See Schedule B.4 “A-1” for a sample format]*

The relevant recognizing and participating regulators shall be provided, on a quarterly basis, with a balanced scorecard. Such report will compare quarterly productivity, by section, to established goals and measures. *[See Schedule B.4 “A-2” for a sample format]*

The relevant recognizing and participating regulators shall be provided, on a quarterly and annual basis, with detailed statistics on open files, by section, and on an annual basis, with an outstanding report listing all files open as at year-end, by section. Such report should include, but is not limited to:

- the date the file was opened
- the file number

- the identity of the member firm
- the identity of the Approved Person(s)
- the identity of the IDA staff assigned
- a discussion of the misconduct or violation
- the projected completion date

*[See Schedules B.4 “A-3”, B.4 “B-1”, B.4 “B-2”, B.4 “B-4”, B.4 “B-5”, B.4 “B-7” and B.4 “B-8” for sample formats]*

The relevant recognizing and participating regulators should be provided, on a quarterly basis, with an ageing report which identifies the length of time a file has been open in each section, as at quarter end. *[See Schedule B.4 “A-4” for a sample format]*

The relevant recognizing and participating regulators shall be provided, both on a quarterly and annual basis, with detailed statistics on closed files, by section. Such reports should include, but are not limited to:

- the dates the files were opened and closed
- the file number
- the identity of the member firm
- the identity of the Approved Person(s)
- the identity of the IDA staff assigned
- a description of the misconduct or violation
- the disposition of the file

*[See Schedules B.4 “A-5”, B.4 “B-3”, B.4 “B-6” and B.4 “B-9” for sample formats]*

The relevant recognizing and participating regulators shall be provided, on a quarterly basis, with a report classifying all complaints and all inquiries separately as follows:

- Insider Trading/Self Dealing Allegations
- Penny Stock Dealers
- Policy & Legislation Related & Interpretations
- Prospectus, Exemptions and Related Filings
- Registration Matters (including requirements, registrant history)
- Reporting Issuer Matters (including CTOs & default companies)
- Scams, Misappropriation, Theft and Fraudulent Activities
- Shareholder Rights & Corporate Governance
- Take-Over Bids, Issuer Bids & Related Party Transactions
- MFDA Complaints

- Failure to KYC
- Unsuitable Investments
- Churning and Excessive Trading
- Unauthorized Trading
- Capital Deficiency
- Supervision
- Falsification of Documentation
- Internal Control Violations
- Inappropriate Personal Financial Dealings — selling away
- Account Documentation — no KYC form
- Account Documentation — no discretionary trading form
- Account Documentation — no 3<sup>rd</sup> party authorization
- Adequacy of Books & Records
- Margin Issues
- Other

*[See Schedule B.4 “A-66 for sample format]*

The relevant recognizing and participating regulators shall be provided, on a quarterly basis, with narrative details regarding open files. Such details should:

- provide investigation plans on high priority/major files
- comment on files that have revisions to investigation plans
- comment on files that have revisions to projected recommendation dates
- comment on any policy changes effected during the period
- detail ongoing initiatives which are Enforcement related, but not case specific.

The relevant recognizing and participating regulators shall be provided, on an annual basis, with narrative details regarding open files. Such details should:

- discuss specific developments on major investigations
- provide an analysis of significant settlements involving members and their clients to determine whether any action is warranted
- provide an analysis of complaints in order to identify any emerging problems or trends
- comment on policy changes
- comment on functional and administrative changes
- detail ongoing initiatives which are Enforcement related, but not case specific.

**Schedule B.4 “A-1” — Quarterly Summary Report — IDA Enforcement  
Branch For the Period MMM/DD/YYYY — MMM/DD/YYYY — Region/Province  
(XXX)**

Division                      Complaints    Investigations    Prosecutions    Total    Year To Date  
Statistics

Open  
@MMM/DD/YYYY

Open During  
Quarter +

Transferred In +

Transferred Out -

Closed -

Open @MMM/DD/YYYY

**Schedule B.4 “A-2” — Quarterly Balanced Scorecard Report — IDA  
Enforcement Branch For the Quarter Ended MMM/DD/YYYY**

Balanced Scorecard	Year to Date	
Complaints	Within 3 months	Within 6 months
Files closed/transferred	%	%
Investigations	Within 9 months	
Files closed/transferred	%	
Prosecutions	Completed	
Matters resolved	#	
Division{*}	Ratio	
# of recommendations for prosecution/# of investigation staff		

**Notes:**

\* Division in this part includes investigation and prosecution staff only.

**Schedule B.4 “A-3” — Quarterly Report — Open Files — IDA Enforcement  
Branch For the Period MMM/DD/YYYY to MMM/DD/YYYY — Region/Province  
XXX**

**Complaints**

Date    File#    Member Firm    Approved Person    IDA Staff    Violation    Projec

Opened								Comple Date
1.								
2.								
3.								
Etc.								

**Investigations**

Date Opened	File#	Member Firm	Approved Person	IDA Staff	Violation	Projec Comple Date
1.						
2.						
3.						
Etc.						

**Prosecutions**

Date Opened	File#	Member Firm	Approved Person	IDA Staff	Violation	Notice Hearin Settle Agreem
1.						
2.						
3.						
Etc.						

**Notes:**

NOTE: If a file has been opened and moved to another section within the quarter, the file will be listed in 2 sections. These files will be identified with asterisks (\*\*). For example a complaint that was opened and moved to investigations in the same quarter will show up on the complaints report and the investigations report.

**Schedule B.4 "A-4" — Quarterly Ageing Report — IDA Enforcement Branch  
For the Quarter Ended MMM/DD/YYYY — Region/Province (XXX)**

	Complaints	Investigations	Prosecutions	Total
0 to 30 days				
31 to 60 days				
61 to 90 days				
91 to 120 days				
121 to 150 days				
151 to 180 days				
181 to 364 days				
1 to 2 years				
Greater than 2 years				

TOTAL Files Open

This report only identifies files that are open as of the “as at” date. The report identifies the length of time a file has been open in a section (complaints, investigations and prosecutions), not the total time a file has been open.

**Schedule B.4 “A-5” — Quarterly Report — Files Closed — IDA Enforcement Branch For the Period MMM/DD/YYYY to MMM/DD/YYYY — Region/Province XXX**

**Complaints**

Date Closed	Date Opened	File #	Member Firm	Approved Person	IDA Staff	Violation	Disposition
1.							
2.							
3.							
Etc.							

**Investigations**

Date Closed	Date Opened	File #	Member Firm	Approved Person	IDA Staff	Violation	Disposition
1.							
2.							
3.							
Etc.							

**Prosecutions**

Date Closed	Date Opened	File #	Member Firm	Approved Person	IDA Staff	Violation	Disposition
1.							
2.							
3.							
Etc.							

**Schedule B.4 “A-6” — Quarterly Report — Open Complaint Files — IDA Enforcement Branch For the period MMM/YYYY–MMM/YYYY — Region/Province (XXX)**

Violation	Complaints	Year to Date
----- Unsuitable Investments		

Churning and Excessive Trading  
Unauthorized Trading  
Etc.

TOTAL

**Notes:**

The report list all complaint files open for a specified time period by violation. The report contains a running year to date total.

**Schedule B.4 “B-1” — Annual Report-Open Complaints (as at) — IDA Enforcement Branch As at MMM/DD/YYYY — Region/Province (xxx)**

**Open Complaints**

Date Opened	File#	Member Firm	Approved Person	IDA Staff	Violation	Projec Comple Date
1.						
2.						
3.						
Etc.						

**Notes:**

This report lists all open complaint files as at the year-ended period.

**Schedule B.4 “B-2” — Annual Report-Open Complaints (detail) — IDA Enforcement Branch For the period MMM/DD/YYYY–MMM/DD/YYYY — Region/Province (xxx)**

**Open Complaints**

Date Opened	File#	Member Firm	Approved Person	IDA Staff	Violation	Projec Comple Date/ Dispos
1.						
2.						
3.						
Etc.						

**Notes:**

This report lists all complaints opened during the specified year or start/end date. NOTE: If a file has been opened and moved to another section within the year, the file will be listed in 2 sections. The file will be identified with asterisks (\*\*). For example, a complaint that was opened and moved to investigations in the same year will show up on the complaints report and the investigations report.

**Schedule B.4 “B-3” — Annual Report-Complaints Closed — IDA  
Enforcement Branch**

**For the period MMM/DD/YYYY–MMM/DD/YYYY — Region/Province (xxx)**

**Complaints Closed**

Date	Date	File#	Member Firm	Approved Person	IDA Staff	Violation	Disp
1.							
2.							
3.							
Etc.							

**Notes:**

This report lists all complaints closed during the specified year or start/end date.

**Schedule B.4 “B-4” — Annual Report — Open Investigations (as at) — IDA  
Enforcement Branch As at MMM/DD/YYYY Region/Province (xxx)**

**Open Investigations**

Date	File#	Member Firm	Approved Person	IDA Staff	Violation	Projected Completion Date
Opened						
1.						
2.						
3.						
Etc.						

**Notes:**

This report lists all open investigation files as at the year-ended period.

**Schedule B.4 “B-5” — Annual Report — Open Investigations (detail) — IDA  
Enforcement Branch For the period MMM/DD/YYYY — MMM/DD/YYYY —  
Region/Province (xxx)**

**Open Investigations**

Date	File#	Member Firm	Approved Person	IDA Staff	Violation	Projected Completion Date/Dispos
Opened						

- 1.
  - 2.
  - 3.
- Etc.

**Notes:**

This report lists all investigations opened during the specified year or start/end date. NOTE: If a file has been opened and moved to another section within the year, the file will be listed in 2 sections. These files will be identified with asterisks (\*\*). For example, an investigation that was moved to prosecutions in the same year will show up on the investigations report and the prosecutions report.

**Schedule B.4 “B-6” — Annual Report — Investigations Closed — IDA Enforcement Branch For the period MMM/DD/YYYY — MMM/DD/YYYY Region/Province (xxx)**

**Investigations Closed**

Date	Date	File#	Member Firm	Approved Person	IDA Staff	Violation	Disp
1.							
2.							
3.							

Etc.

**Notes:**

This report lists all investigations closed during the specified year or start/end date.

**Schedule B.4 “B-7” — Annual Report — Open Prosecutions (as at) — IDA Enforcement Branch As at MMM/DD/YYYY Region/Province (xxx)**

**Open Prosecutions**

Date Opened	File#	Member Firm	Approved Person	IDA Staff	Violation	Notice of Hearing/ Settlement Agreement
1.						
2.						
3.						

Etc.

**Notes:**

This report lists all prosecution files opened as at the year-ended period.

**Schedule B.4 “B-8” — Annual Report — Open Prosecutions (detail) — IDA  
Enforcement Branch For the period MMM/DD/YYYY — MMM/DD/YYYY  
Region/Province (xxx)**

**Open Prosecutions**

Date Opened	File#	Member Firm	Approved Person	IDA Staff	Violation	Notice of Hearing/ Settlement Agreement/ Disposition
1.						
2.						
3.						
Etc.						

**Notes:**

This report lists all prosecutions opened during the specified year or start/end date. NOTE: If a file has been opened and moved to another section within the year, the file will be listed in 2 sections. These files will be identified with asterisks (\*\*). For example, an investigation that was moved to prosecutions in the same year will show up on the investigations report and the prosecutions report.

**Schedule B.4 “B-9” — Annual Report — Prosecutions Closed — IDA  
Enforcement Branch For the period MMM/DD/YYYY — MMM/DD/YYYY  
Region/Province (xxx)**

**Prosecutions Closed**

Date	Date	File#	Member Firm	Approved Person	IDA Staff	Violation	Disp
1.							
2.							
3.							
Etc.							

**Notes:**

This report lists all prosecutions closed during the specified year or start/end date.

June 5, 2001

Joseph Oliver, President  
The Investment Dealers Association of Canada  
Suite 1600, 121 King Street West  
Toronto, Ontario

M5H 3T9

Dear Mr. Oliver:

**Re: Coordination of Oversight of the Investment Dealers Association by the Canadian Securities Administrators — Monthly Reporting Requirements**

The Canadian Securities Administrators (the “CSA”) recognize that the Investment Dealers Association (the “IDA”) plays a significant role in the regulation of market intermediaries in Canada. Many CSA jurisdictions have recognized the IDA and in those jurisdictions the IDA is subject to recognition orders which contain various terms and conditions of recognition. The CSA rely on the IDA to undertake day to day regulation of its member dealers and their salespersons. In relying on the IDA as a self-regulatory organization, the CSA have a responsibility to perform appropriate supervision of the IDA and ensure the IDA regulates its members consistently and fairly and continues to apply an appropriate standard of regulation.

The CSA have considered the challenges and opportunities raised by recognition of the IDA in multiple jurisdictions and the CSA agreed that a plan should be adopted across the CSA in order to promote a more effective and efficient system of oversight. An oversight plan was adopted by the CSA and IDA by letter agreement dated June 5, 2000 (the “Oversight Plan”). Increased reliance amongst CSA jurisdictions will streamline the decision-making process and effectively focus CSA resources for IDA oversight. The IDA will, in our view, receive the benefit of a coordinated and timely response to proposed changes or concerns.

This letter agreement describes the monthly reporting requirements that have been appended to the Oversight Plan.

**CSA Committee on SRO Oversight**

In recognition of the need to co-ordinate the CSA's approach to oversight of the IDA and other SROs, the CSA Committee on SRO Oversight (the “Committee”) was struck. The Committee includes staff from several CSA jurisdictions and reports to the CSA Chairs. The Committee's mandate is to develop a consistent approach to IDA oversight by all jurisdictions, promote mutual reliance among CSA jurisdictions and to develop a consistent reporting mechanism between the IDA and the CSA jurisdictions. The Committee acts as a forum for discussion and resolution of national issues pertaining to SROs and a forum for co-ordination between the CSA and CIPF for oversight of the financial compliance function of the IDA.

The Committee's immediate objective is to develop a model for oversight of the member regulation functions which includes:

- (1) review of the IDA's corporate governance structure,
- (2) co-ordination of an examination of member regulation functions of the IDA,
- (3) co-ordination of review and approval of IDA rules,
- (4) harmonization of the terms and conditions of recognition of the IDA, and

(5) harmonization of IDA reporting requirements pursuant to obligations under recognition orders and undertakings.

## **Definitions**

For the purposes of this letter agreement all terms shall have the meaning ascribed under the Oversight Plan.

## **Reporting Obligations**

### **1. — Periodic Reporting**

The CSA agree to harmonize reporting requirements in order to allow the IDA to make identical reports to each recognizing regulator and participating regulator insofar as possible. The reporting requirements are set out in Appendix B to the Oversight Plan. The CSA agree to review and revise the reporting requirements as necessary on an on-going basis. As a result of this review the CSA has appended to the reporting requirements of the Oversight Plan, the monthly reporting requirements attached as Appendix I to this letter agreement.

### **2. — Duration of Monthly Reporting**

The IDA agrees to comply with the monthly reporting requirements attached as Appendix I to this letter agreement until such time as the CSA determines otherwise.

### **3. — CSA Co-ordination**

The Committee will use its best efforts to co-ordinate the response of the CSA jurisdictions to IDA reports described in this letter agreement.

## **Effective Date**

This letter agreement comes into effect in the five recognizing jurisdictions of British Columbia, Alberta, Saskatchewan, Ontario and Nova Scotia on the date it is approved by the Minister of Finance in Ontario pursuant to Section 143.10 of the *Securities Act* (“Ontario”). In Québec, pursuant to Section pursuant to Section 3.12 of the Act respecting the ministère du Conseil exécutif, the CVMQ must obtain the authorization of the Minister for Canadian Intergovernmental Affairs before approving such an agreement. Once this authorization is obtained, the letter agreement will come into effect on the date it is approved by the CVMQ.

We trust that the co-ordinated oversight process described is one that will be consistent and efficient and therefore effective in carrying out the CSA's oversight of the IDA.

IN WITNESS WHEREOF the parties here to have executed this letter agreement, in duplicate, in French and in English, both versions being equally authentic, under the hands of their proper officers duly authorized in that behalf.

Alberta Securities Commission

Per: "Stephen Sibold"

Title: Chair

Date: August 7, 2001

British Columbia Securities Commission

Per: "Douglas M. Hyndman"

Title: Chair

Date: June 18, 2001

Saskatchewan Securities Commission

Per: "Marcel de la Gorgendière"

Title: Chairperson

Date: June 7, 2001

Ontario Securities Commission

Per: "Paul Moore"

Title: Vice Chair

Date: June 5, 2001

Nova Scotia Securities Commission

Per: "Robert B. MacLellan"

Title: Chair

Date: June 22, 2001

Commission des valeurs mobilières du Québec

Per:

Title:

Date:

As President of the Investment Dealers Association of Canada, I agree with the foregoing letter agreement.

"Joseph J. Oliver"

Joseph J. Oliver

President, Investment Dealers Association of Canada

## **Appendix I — Monthly Reporting Requirements**

### **Enforcement**

#### ***Reporting***

The relevant recognizing and participating regulators shall be provided, on a monthly basis, with summary statistics regarding the current caseload. Such reports should include, but are not limited to:

- the number of files outstanding at the beginning and at the end of the period, by section

- the number of new files opened during the period, by section
- the number of files transferred between sections during the period.

*[See Schedule “A” for a sample format]*

The relevant recognizing and participating regulators shall be provided, on a monthly basis, with a balanced scorecard. Such report will compare monthly productivity, by section, to established goals and measures. *[See Schedule “B” for a sample format]*

The relevant recognizing and participating regulators shall be provided, on a monthly basis, with detailed statistics on open files, by section. Such report should include, but is not limited to:

- the date the file was opened
- the file number
- the identity of the member firm
- the identity of the Approved Person(s)
- the identity of the IDA staff assigned
- a discussion of the misconduct or violation
- the projected completion date

*[See Schedule “C” for a sample format]*

The relevant recognizing and participating regulators shall be provided, on a monthly basis, with detailed statistics on closed files. Such report should include, but is not limited to:

- the number of files closed during the month, by section, disposition and violation

*[See Schedule “D” for a sample format]*

The relevant recognizing and participating regulators shall be provided, on a monthly basis, with a report classifying all complaints and all inquiries separately as follows:

- Insider Trading/Self Dealing Allegations
- Penny Stock Dealers
- Policy & Legislation Related & Interpretations
- Prospectus, Exemptions and Related Filings
- Registration Matters (including requirements, registrant history)
- Reporting Issuer Matters (including CTOs & default companies)
- Scams, Misappropriation, Theft and Fraudulent Activities
- Shareholder Rights & Corporate Governance
- Take-Over Bids, Issuer Bids & Related Party Transactions
- MFDA Complaints
- Failure to KYC

- Unsuitable Investments
- Churning and Excessive Trading
- Unauthorized Trading
- Capital Deficiency
- Supervision
- Falsification of Documentation
- Internal Control Violations
- Inappropriate Personal Financial Dealings — selling away
- Account Documentation — no KYC form
- Account Documentation — no discretionary trading form
- Account Documentation — no 3<sup>rd</sup> party authorization
- Adequacy of Books & Records
- Margin Issues
- Other

*[See Schedule “E” for a sample format]*

**Schedule A — Monthly Summary Report — IDA Enforcement Branch For the Month of MMM/YYYY — Region/Province (XXX)**

Division Statistics	Complaints	Investigations	Prosecutions	Total	Year To Date
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Open @MMM/DD/YYYY  
 Open DuringQuarter +  
 TransferredIn +  
 Transferred Out -  
 Closed -  
 Open @MMM/DD/YYYY

**Schedule B — Monthly Balanced Scorecard Report — IDA Enforcement Branch For the Month Ended MMM/DD/YYYY**

Balanced Scorecard	Year to Date	
Complaints	Within 3 months	Within 6 months
Files closed/transferred	%	%
Investigations	Within 9 months	
Files closed/transferred	%	
Prosecutions	Completed	

Matters resolved #  
 Division{\*} Ratio  
 # of recommendations for prosecution  
 /#of investigation staff

**Notes:**

\* Division in this part includes investigation and prosecution staff only

**Schedule C — Closed Files Report — IDA Enforcement Branch For the Month of MMM/YYYY — Region/Province (XXX)**

	Complaints	Investigations	Prosecutions	Total	Year To Date
No Action					
Suitability					
Churning					
Supervision					
Referrals					
Etc.					
Sub-total					
Warning Letters					
Suitability					
Churning					
Supervision					
Etc.					
Sub-total					
Disciplinary Action					
Suitability					
Churning					
Supervision					
Etc.					
Sub-total					
TOTAL					

**Notes:**

The report lists all files closed for a specified month, by disposition and violation. The report contains a running year to date total.

**Schedule D — Monthly Report — Open Files — IDA Enforcement Branch For the Month of MMM/YYYY — Region/Province (XXX)**

**Complaints**

Date Opened	File#	Member Firm	Approved Person	IDA Staff	Violation	Projected Completion Date
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- 1.
  - 2.
  - 3.
- Etc.

**Investigations**

Date Opened	File#	Member Firm	Approved Person	IDA Staff	Violation	Projected Completion Date
1.						
2.						
3.						

Etc.

**Prosecutions**

Date Opened	File#	Member Firm	Approved Person	IDA Staff	Violation	Notice of Hearing/ Settlement Agreement
1.						
2.						
3.						

Etc.

**Notes:**

NOTE: If a file has been opened and moved to another section within the month, the file will be listed in 2 sections. These files will be identified with asterisks (\*\*). For example a complaint that was opened and moved to investigations in the same quarter will show up on the complaints report and the investigations report.

**Schedule E — Monthly Report — Open Complaint Files — IDA Enforcement  
Branch For the Month of MMM/YYYY — Region/Province (XXX)**

Violation	Complaints	Year to Date
Unsuitable Investments		
Churning and Excessive Trading		
Unauthorized Trading		
Etc.		

TOTAL

**Notes:**

The report lists all complaint files opened for a specified time period, by violation. The report contains a running year to date total.

## **Endnotes**

**1**

As defined in National Instrument 14-101 Definitions.