

Internal Control Policies Rule Reference Tables January 1, 2023

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Section 1: RULE 1500 - Managing Significant Areas of Risk

Rule 1501. Introduction	Please include the precise reference to the Firm's Policies
(1) As a key element of CRO's regulatory framework, CRO expects that, for every significant area of risk within a Dealer Member, an appropriate Executive be responsible for managing such area of risk.	
Rule 1502. Responsibility for significant areas of risk	Please include the precise reference to the Firm's Policies
(1) For each significant area of risk within a Dealer Member, the Dealer Member must assign responsibility to an appropriate Executive. For certain significant areas of risk, CRO has assigned the responsibility to a specific Executive as set out in the CRO requirements.	
(2) The Dealer Member must document and maintain a list of Executives and the significant areas of risk each Executive is responsible for managing.	
(3) Executives are responsible for the review and approval of any policies and procedures relating to their significant area of risk.	

Additional Comments

Section 2: RULE 4200 – Disclosure, Internal Controls, Calculations of Prices and Professional Opinions

Rule 3917. Annual supervisory review of financial and operational policies and procedures	Please include the precise reference to the Firm's Policies
(1) A <i>Dealer Member</i> must ensure that a supervisory review of its financial and operational policies and procedures is completed at least annually and that any deficiencies are identified and corrected.	
Rule 4222. Adequate internal controls	Please include the precise reference to the Firm's Policies
(1) A Dealer Member must establish and maintain appropriate internal controls	
(2) The Dealer Member's Executives are responsible for ensuring adequate internal controls as part of their overall responsibility for managing the Dealer Member's operations	
(3) The Dealer Member's Executives must use best judgment in determining whether internal controls are adequate.	
Rule 4223. Preventive controls	Please include the precise reference to the Firm's Policies
(1) When necessary, a Dealer Member must implement preventive controls based on the Dealer Member's Executives' view of the risk of loss and the cost-benefit relationship of controlling that risk.	
Rule 4224. Written record	Please include the precise reference to the Firm's Policies
(1) A <i>Dealer Member</i> must maintain a detailed written record of its internal controls, including, at a minimum, the policies and procedures the Dealer Member's Executives have approved to provide reasonable assurance of compliance with all CRO requirements relating to internal controls.	

Rule 4225. Review and written approval of internal controls

Please include the precise reference to the Firm's Policies

(1) The Dealer Member's Executives must review a Dealer Member's internal controls for adequacy and suitability at least annually and more frequently as necessary or stipulated by CISO requirements. They must approve a Dealer Member's internal controls in writing after each review.

Additional Comments

Section 3: RULE 4100 - Minimum Capital, Early Warning, Financial Reports and Auditors

Rule 4111. Maintaining a positive risk adjusted capital amount	Please include the precise reference to the Firm's Policies
(1) A Dealer Member must at all times maintain a risk adjusted capital amount of greater than zero.	
Rule 4112. Negative risk adjusted capital and other early warning test failure situations	Please include the precise reference to the Firm's Policies
(1) The Chief Financial Officer and Ultimate Designated Person must take prompt action to: <ul style="list-style-type: none"> (i) avert or remedy any projected or actual negative risk adjusted capital situations, (ii) report to CIRO any actual negative risk adjusted capital situations, (iii) report to CIRO any early warning test failure situations that could require the Dealer Member to be designated in early warning level 1 or level 2, and (iv) report to CIRO any circumstances from which it should be apparent that there would be early warning test failures that could require the Dealer Member to be designated in early warning level 1 or level 2 if the Dealer Member had complied with the requirements of Rule 4100 and performed the early warning test calculations. 	
Rule 4113. Calculating current risk adjusted capital amount - General Requirements	Please include the precise reference to the Firm's Policies
(1) A Dealer Member must calculate its risk adjusted capital amount according to the requirements specified in Form 1 and any other CIRO requirements.	
(2) A Dealer Member must know its current risk adjusted capital amount by computing it as often as necessary to ensure it has adequate regulatory capital at all times. The Dealer Member must also comply with weekly, monthly and annual calculation and documentation requirements in Rule 4100.	

Rule 4114. Calculating current capital position - weekly documentation	Please include the precise reference to the Firm's Policies
<p>(1) At least weekly, but more frequently if required (for instance, the Dealer Member is close to violating an early warning test or volatile market conditions exist), the Chief Financial Officer or designate must document that he or she has:</p> <ul style="list-style-type: none"> (i) received management reports produced by the Dealer Member's accounting system showing information relevant to estimating the Dealer Member's risk adjusted capital amount, (ii) obtained other information about items that, while perhaps not yet recorded in the accounting system, are likely to significantly affect the Dealer Member's risk adjusted capital amount (for instance, bad and doubtful debts, unreconciled positions, underwriting and inventory commitments and margin requirements), (iii) calculated the Dealer Member's risk adjusted capital amount, compared it to planned and prior period capital levels, and reported adverse trends or variances to the Ultimate Designated Person, (iv) performed the early warning liquidity and capital test calculations for the Dealer Member and determined whether or not the Dealer Member has or may have violated any of these tests, and (v) performed the early warning profitability test calculations for the Dealer Member where the Dealer Member has experienced a significant month-to-date loss, and determined whether or not the Dealer Member has or may have violated this test. 	
Rule 4115. Calculating current capital position - monthly documentation and reconciliation	Please include the precise reference to the Firm's Policies
<p>(1) A Dealer Member must generate monthly trial balances and prepare regulatory capital computations based on its current ledger accounts to:</p> <ul style="list-style-type: none"> (i) check on status and accuracy of those ledger accounts, and (ii) keep itself informed of its risk adjusted capital amount as required under Part A of Rule 4100 	
<p>(2) The Chief Financial Officer or designate must document that he or she has at least monthly, performed the early warning liquidity, capital and profitability test calculations for the Dealer Member and determined whether or not the Dealer Member has violated this test.</p>	
<p>(3) The preliminary month-end estimate of the Dealer Member's risk adjusted capital amount must be reconciled to the final risk adjusted capital amount reported as part of the Dealer Member's monthly financial report. Material discrepancies must be investigated and steps taken to avoid reoccurrence.</p>	

Rule 4116. Dealer Member capital adequacy reporting system - adequate policies and procedures

Please include the precise reference to the Firm's Policies

- (1) A Dealer Member must:
 - (i) have policies and procedures that specifically address timely, complete and accurate records,
 - (ii) maintain a capital adequacy reporting system:
 - (a) based on timely, complete and accurate accounting records,
 - (b) that reflects projected capital requirements resulting from current and planned business activities in each of its major functional areas (for instance, capital markets, principal trading, borrowing/lending),
 - (c) that includes senior management approved capital usage limits for each of these functional areas that provides for reasonable assurance its combined operations maintain adequate intra-day and end of day risk adjusted capital amounts, and
 - (d) that identifies and informs senior management of breaches of approved capital usage limits. The Chief Financial Officer is responsible for identifying any breaches and reporting them to the Dealer Member's appropriate Executives,
 - (iii) monitor and act on information produced by its capital adequacy reporting system so that it maintains at all times a positive risk adjusted capital amount as prescribed by CIRO requirements,
 - (iv) identify and implement changes, on an ongoing basis, to its capital adequacy reporting system required to reflect developments in its business or in regulatory requirements, and
 - (v) perform and document, at least annually, a supervisory review of its capital adequacy reporting system.

- (2) A Dealer Member's Chief Financial Officer must continuously monitor the Dealer Member's risk adjusted capital amount to ensure that the Dealer Member maintains at all times a positive risk adjusted capital amount as prescribed by CIRO requirements.

Additional Comments

Section 4: RULE 4400 - Safekeeping Client Assets, Safeguarding Cash and Securities, And Insurance

Rule 4466. Board of directors' review and designation	Please include the precise reference to the Firm's Policies
<p>(1) A Dealer Member's policies and procedures must require its board of directors or the executive committee of the Dealer Member's board of directors to:</p> <ul style="list-style-type: none"> (i) review and approve the insurance requirements and level of coverage at least annually, and (ii) designate an appropriate Executive to be responsible for insurance matters. 	
Rule 4467. Executive review	Please include the precise reference to the Firm's Policies
<p>(1) A Dealer Member's policies and procedures must require the Executive responsible for insurance matters:</p> <ul style="list-style-type: none"> (i) review regularly the terms of the Dealer Member's insurance policies and design of the Dealer Member's operating procedures so that the Dealer Member is in compliance with those terms, (ii) monitor business changes and evaluate the need for changes in coverage or operating procedures, and (iii) monitor business operations so that insured losses are identified, insurer notified and claimed on a timely basis and their effect on aggregate limits are taken into account. 	
Rule 4468. Executive prompt action	Please include the precise reference to the Firm's Policies
<p>(1) A Dealer Member's policies and procedures must require the appropriate Executive to:</p> <ul style="list-style-type: none"> (i) take prompt action to avert or remedy any projected or actual insurance deficiency, and (ii) notify CIRO immediately of any deficiencies, pursuant to clause 4461(1)(ii). 	

Additional Comments

Section 5: RULE 4432 - Reconciling Internal Accounts

Rule 4432. Reconciling Internal Accounts	Please include the precise reference to the Firm's Policies
(1) At least monthly, a Dealer Member must reconcile internal accounts.	
(2) A department manager or another appropriate manager must review the reconciliation.	

Additional Comments

Section 6: GN-2300-21-003 - Outsourcing Policy

GN-2300-21-003	Please include the precise reference to the Firm's Policies
(1) The Board of Directors or equivalent body is responsible for outsourcing policy and activities undertaken under the policy.	
(2) Due diligence assessments are required regarding whether, and how, certain activities can be appropriately outsourced.	
(3) Written contracts are in place which describe all material aspects of outsourcing arrangements are required.	
(4) Risk management program is established which monitors risk including outsourcing concentration risk.	

Additional Comments

Section 7: RULE 3700 - 3703 - Cybersecurity Incident Reporting Procedures

Rule 3700. Policies and Procedures	Please include the precise reference to the Firm's Policies
<p>The dealer member has policies and procedures governing cybersecurity incident management that comply with the Proposed Amendments to Rule 3700 Section 3703.</p> <p>The document specifically:</p> <ol style="list-style-type: none"> (1) incorporate procedures to detect, assess, and report (both internally and externally) cybersecurity incidents occurring at or impacting the Dealer Member (2) assign ownership, responsibility and accountability for the policies and procedures and the various functions and tasks identified therein to specific individuals and/or departments (3) is reviewed frequently to assess whether the policies need to be updated or any criteria needs to be reassessed <p>The dealer member must report to CRO, in writing, three calendar days from discovering the incident. The report at a minimum should include:</p> <ol style="list-style-type: none"> (1) Description of the incident (2) Date on which or time period during which it occurred, and when it was discovered (3) Likelihood of risk of harm to persons and/or impact to operations (4) Immediate action taken to mitigate the risks identified (5) Name and contact information for person responsible for dealing with cybersecurity incidents at the firm <p>The dealer member must submit an incident investigation report within 30 days which includes the following:</p> <ol style="list-style-type: none"> (1) Description of the cause (2) Assessment of the scope including the number of persons harmed and impact on operations 	

- (3) Details of steps taken to mitigate risk of harm to persons and/or impact to operations
- (4) Details of steps taken to remediate harm or inconvenience caused
- (5) Action that has been or will be taken to improve cybersecurity preparedness
 - (i) Date on which or time period during which it occurred, and when it was discovered
 - (ii) Likelihood of risk of harm to persons and/or impact to operations
 - (iii) Immediate action taken to mitigate the risks identified
 - (iv) Name and contact information for person responsible for dealing with cybersecurity incidents at the firm

The dealer member has defined **the minimum threshold** for reporting cybersecurity incidents to CIRO. The threshold considers whether the incident has resulted in, or has reasonable likelihood in resulting in:

- (1) Substantial harm to any person
- (2) A material impact on any part of the normal operations of the Dealer Member
- (3) Invoking the Dealer Member's Business Continuity Plan or Disaster Recovery Plan
- (4) The Dealer Member being required under any applicable laws to provide notice to any government body, securities regulatory authority or other self-regulatory organization
- (5) Policies & procedures contain detailed criteria around the definitions of "substantial harm" and "material impact" such that a reasonable person would be able to assess whether a particular cybersecurity incident occurring at or impacting the Dealer Member meets the threshold requirements to be reported to CIRO.

Additional Comments

Section 8: RULE 4433 – Cash

Rule 4433. Cash	Please include the precise reference to the Firm's Policies
(1) The department manager or another appropriate manager must review and approve all bank reconciliations.	
(2) At least monthly, a Dealer Member must reconcile bank accounts in writing, identifying and dating all reconciling items.	
(3) Journal entries to clear reconciling items must be made on a timely basis and approved by a department manager or another appropriate manager.	
(4) Bank accounts must be reconciled by employees who do not have: <ul style="list-style-type: none"> (i) access to funds, either receipts or disbursements, or (ii) access to securities, or (iii) record keeping responsibilities that include the authority to write or approve journal entries. 	
(5) An appropriate Executive must establish criteria for approving the requisition of a cheque.	
(6) Cheques must be pre-numbered, and a Dealer Member must account for numerical continuity.	
(7) Cheques must be signed by two authorized employees.	
(8) The authorized employees must only sign a cheque when the appropriate supporting documents are provided. The supporting documents must be cancelled after they sign the cheque.	
(9) A Dealer Member must limit and supervise access to any facsimile signature machine.	

Additional Comments

Section 9: RULE 4241 - 4244 - Pricing Procedures

RULE 4241. Pricing Procedures	Please include the precise reference to the Firm's Policies
(1) A Dealer Member must consistently and accurately price all securities. In Part C of Rule 4200, references to securities include client and inventory securities and securities used in financing transactions such as security borrow and lend, repurchase agreement transactions and reverse repurchase agreement transactions.	
(2) On a daily basis, a Dealer Member must consistently and accurately mark to market its "owned" and "sold short" security positions to ensure accurate profit and loss reporting in accordance with CIRO requirements.	
(3) A Dealer Member's policies and procedures must specifically address consistently pricing securities and verifying prices of securities.	
(4) A Dealer Member's policies and procedures must specifically address appropriate pricing in security records that it uses to prepare management reports for monitoring: <ul style="list-style-type: none"> (i) securities inventory profit and loss, (ii) its regulatory capital position, and (iii) security segregation 	
(5) A Dealer Member must assign knowledgeable employees, who are independent of its trading functions, to prepare the reports in subsection 4241(4), and must supervise the reports' preparation. Conflicted employees must not be involved in security pricing or, failing that, the Dealer Member must adopt compensating procedures to ensure appropriate pricing.	
RULE 4242. Independent Price Verification and Adjustment	Please include the precise reference to the Firm's Policies
(1) A Dealer Member must verify its security prices at each month-end by comparing them with independent (third-party) pricing sources.	
(2) The verification work must detect and quantify all pricing differences (distinguishing adjusted and unadjusted differences).	

<p>(3) An appropriate Executive must:</p> <ul style="list-style-type: none"> (i) on a monthly basis, approve the resolution of all material differences, and (ii) on an annual basis, review and verify the continued appropriateness of the existing pricing sources. <p>Where appropriateness is identified as a material concern, the pricing sources used must be changed.</p>	
<p>RULE 4243. Retention of Supporting Documents</p>	<p>Please include the precise reference to the Firm's Policies</p>
<p>(1) A Dealer Member must retain supporting documents to show that it has verified securities pricing and made appropriate adjustments.</p>	
<p>RULE 4244. Access to Records</p>	<p>Please include the precise reference to the Firm's Policies</p>
<p>(1) Dealer Member employees involved in securities trading must not have access to back-office security price records.</p>	

<p>Additional Comments</p>
<p></p>

Section 10: RULE 4912-4915 – Derivatives

RULE 4912. Risk Management Process	Please include the precise reference to the Firm's Policies
(1) A Dealer Member must have a risk management function with clear independence and authority to ensure risk limit policies are developed and transactions and positions are monitored for adherence to these policies.	
(2) A Dealer Member must have a risk management process to identify, measure, manage, and monitor risks associated with the use of derivatives	
(3) The risk management process has two parts: (i) An appropriate Executive must be knowledgeable of the nature and risks of all derivative products used in treasury, proprietary, institutional and retail activities, and (ii) The Dealer Member's policies and procedures must clearly outline risk management guidance for derivatives activities	
(4) A Dealer Member's financial accounting department must measure the Dealer Member's revenue components regularly and in sufficient detail to understand risk sources.	
RULE 4913. Role of Board of Directors	Please include the precise reference to the Firm's Policies
(1) A Dealer Member's board of directors or equivalent must approve policies and procedures relating to significant risk management to provide reasonable assurance they are consistent with the Dealer Member's overall broader business strategies and appropriate for market conditions.	
(2) An appropriate Executive must report at least annually to the Dealer Member's board of directors on a Dealer Member's risk exposure.	

RULE 4914. Role of An Appropriate Executive

Please include the precise reference to the Firm's Policies

- (1) An appropriate Executive must ensure that for derivative products:
 - (i) The Dealer Member's policies and procedures specifically address processing, trading, monitoring and reporting cycles including:
 - (a) clear responsibility lines for risk management
 - (b) an adequate system for measuring risk,
 - (c) appropriate risk position limits,
 - (d) effective internal controls, and
 - (e) a comprehensive reporting process,
 - (ii) if risk position limits are exceeded, there is a system to ensure that these excesses are approved only by authorized employees and communicated to an appropriate Executive,
 - (iii) all appropriate approvals are obtained and adequate operational procedures and risk control systems are in place,
 - (iv) appropriate risk control systems address market, credit, legal, operational, and liquidity risks,
 - (v) derivatives activities are undertaken by a sufficient number of professionals with appropriate experience, skill levels, and certification,
 - (vi) risk management procedures are regularly evaluated for appropriateness and soundness,
 - (vii) it approves all standard and non-standard derivative product programs,
 - (viii) there is an accurate, complete, informative, and timely management information system, and
 - (ix) the risk management function monitors and reports risk metrics to the Dealer Member's appropriate Executives and to the Dealer Member's board of directors or equivalent.

RULE 4915. Pricing

Please include the precise reference to the Firm's Policies

- (1) In addition to the requirements in Part C of Rule 4200, a Dealer Member must comply with the requirements in subsections 4915(2) through 4915(4) in pricing derivatives.

(2) Derivatives positions must be marked to market at least daily.	
(3) A Dealer Member's independent risk management function must: (i) validate all pricing models, including computing market data or model inputs, (ii) review and approve pricing models and valuation systems used by front and back-office employees, and (iii) review and approve reconciliation procedures if different systems are used.	
(4) Valuations derived from models must be independently reviewed at least monthly.	

Additional Comments

Section 11: RULE GN-4200-21-001 - Best Practices for Credit Risk Management

Control Objective - The control objective is to ensure that:

- (a) There is a risk management process of evaluating and monitoring the creditworthiness of counterparties.
- (b) There is a risk management process of evaluating and monitoring the loan value of collateral including giving consideration to liquidity and concentration of securities. (Please note, the value for value approach Dealer Members use to review counterparty risk continues to apply and that Dealer Members should not be extending uncollateralized credit on a long-term basis).

1. Role of Board of Directors/Partners	Please include the precise reference to the Firm's Policies
(i) Approve on an annual basis the credit policies and procedures of the Dealer Member firm.	
(ii) Ensure that senior management regularly reviews and updates the credit policies and procedures.	
(iii) Ensure a detailed organizational chart and hierarchy detailing the credit risk department's independence, authority and role in management of the firm is in place.	
(iv) Receive reports on a regular basis and approve action to be taken by senior management on any significant potential loss exposures. This responsibility may be delegated to a credit risk review committee that reports directly to the Board of Directors / Partners.	
2. Establish Credit Policies	Please include the precise reference to the Firm's Policies
(i) Guidelines are established to approve and review credit limits.	
(ii) Loan values are established specifying dollar limits for all products, concentration, leverage activities and transaction types. This includes having proper policies and procedures in place that establish limits on the amount the firm is willing to lend to a client or small number of clients with respect to an individual security issue.	

3. Review Procedures for Retail Accounts	Please include the precise reference to the Firm's Policies
(i) There is a regular review of the exception reports generated to reflect amounts which exceed the loan value limits, leverage amounts and individual account concentration limits to identify accounts that are not in compliance with the Dealer Member's credit policies.	
(ii) There is a regular review of significant debit balance client accounts and the liquidity of the underlying significant securities held as loan value. The factors that should be considered in the review are: (a) the relative marketability of the significant position (b) the relative credit quality of the significant position, and (c) the significant security positions' percentage of the overall loan value of securities held in the account or accounts.	
(iii) There is a process in place to ensure that additional collateral requested from clients is received in a timely manner or positions are liquidated.	
(iv) There is a process in place for escalating to senior management for timely review the treatment of accounts with ongoing credit policy violations.	
(v) There is a process in place that for any exceptions to the Dealer Members credit policies are approved by senior management and explanatory documentation is retained.	
4. Institutional Credit Worthiness	Please include the precise reference to the Firm's Policies
(i) Approval of all counterparties must be obtained prior to the account being opened.	
(ii) There is a periodic review of credit ratings and limits. This includes a review of any changes in the financial circumstances of any counterparty in the acceptable counterparty ("AC") / acceptable institution ("AI") list, which adversely affects their status as an AI or AC, should be considered by the Dealer Member firm in the ongoing credit risk assessment.	
(iii) There is a proper reporting mechanism that identifies counterparties with a deteriorating risk rating.	
(iv) There is a process in place to monitor and escalate to senior management unsettled transactions.	

If you intend to offer DMA access to your clients, please include reference in your procedures to the limits and controls surrounding the client's DMA access in the "additional comments" field below

Additional Comments

Section 12: RULE 4431 - Handling Dividends and Interest

RULE 4431. Handling Dividends and Interest	Please include the precise reference to the Firm's Policies
(1) A Dealer Member must have a system to record the total dividends and interest payable and receivable at due date.	
(2) Dividend and interest record keeping employees must not handle cash or authorize payments.	
(3) At least monthly, a Dealer Member must: <ul style="list-style-type: none"> (i) reconcile dividend and interest accounts, and (ii) review aged dividend receivables. 	
(4) Only the department manager or another appropriate manager may authorize dividend and interest write-offs.	
(5) The department manager or another appropriate manager must approve journal entries to and from dividend and interest accounts.	
(6) A Dealer Member: <ul style="list-style-type: none"> (i) must not pay dividend claims, other than as part of an automatic settlement system, unless accompanied by supporting documents such as proof of registration, and (ii) must compare supporting documents with internal records for validity and then have the department manager or another appropriate manager approve them. 	
(7) A Dealer Member must withhold non-resident tax when required by law.	
(8) Where required by applicable laws, a Dealer Member must ensure client income is appropriately reported for income tax purposes.	

Additional Comments

Section 13: RULE 4424 - Clearing

RULE 4424. Clearing	Please include the precise reference to the Firm's Policies
(1) A Dealer Member must promptly compare and balance its records with reports of the previous day's settlements.	
(2) Only employees who do not carry out trading functions may reconcile clearing or settlement accounts.	
(3) A Dealer Member must take prompt action to correct differences in its records.	
(4) A Dealer Member must regularly review aged "fails to deliver" and "fails to receive" and identify the reason for settlement delay.	
(5) Any fail that continues for an extended period of time must be promptly reported to the Dealer Member's appropriate Executives.	
(6) A Dealer Member must not use a client account security position to settle a short "pro" sale unless it has obtained written permission from, and provided appropriate collateral to, the client pursuant to: <ul style="list-style-type: none"> (i) a margin account agreement, or (ii) a cash and security loan agreement, that has been executed in accordance with CIRO requirements.	
(7) A Dealer Member must reconcile its records daily with clearing corporation and depository records to ensure they agree.	

Additional Comments

Section 14: Rule 4421-4430 - Custody

Rule 4421. Safeguarding client and Dealer Member cash and securities	Please include the precise reference to the Firm's Policies
(1) A Dealer Member must safeguard its clients' and its own cash and securities: (i) to protect them against material loss, and (ii) to detect and account for potential losses (for regulatory, financial and insurance purposes) on a timely basis.	
(2) A Dealer Member's policies and procedures must specifically address the minimum requirements for safeguarding cash and securities as described in sections 4422 through 4433.	
(3) CIRO recognizes that a Dealer Member with a small operation may be unable to comply with Rule 4400 requirements to segregate duties. If these minimum requirements are inappropriate because of a Dealer Member's small size, it must implement alternative control procedures that CIRO approves.	
Rule 4422. Receipt and delivery of securities	Please include the precise reference to the Firm's Policies
(1) Employees who receive and deliver physical securities must not have access to the Dealer Member's security records.	
(2) The Dealer Member must handle securities in a restricted and secure area.	
(3) The receipt and delivery of securities must be promptly and accurately recorded (including certificate numbers, registrations, and coupon numbers).	
(4) A Dealer Member using mail service must send negotiable certificates by registered mail.	
(5) A Dealer Member must obtain signed receipts from the client or agent for all securities not delivered against payment.	
Rule 4423. Restricting access to securities	Please include the precise reference to the Firm's Policies

(1) Only designated employees may physically handle securities.	
(2) Securities must be physically handled only in a restricted and secure area.	
(3) Only employees not involved in maintaining or balancing Dealer Member records may handle physical securities.	
Rule 4424. Clearing	Please include the precise reference to the Firm's Policies
(1) A Dealer Member must promptly compare and balance its records with reports of the previous day's settlements.	
(2) Only employees who do not carry out trading functions may reconcile clearing or settlement accounts.	
(3) A Dealer Member must take prompt action to correct differences in its records.	
(4) A Dealer Member must regularly review aged "fails to deliver" and "fails to receive" and identify the reason for settlement delay.	
(5) Any fail that continues for an extended period of time must be promptly reported to the Dealer Member's appropriate Executives.	
(6) A Dealer Member must not use a client account security position to settle a short "pro" sale unless it has obtained written permission from, and provided appropriate collateral to, the client pursuant to: <ul style="list-style-type: none"> (i) a margin account agreement, or (ii) a cash and security loan agreement that has been executed in accordance with CISO requirements.	
(7) A Dealer Member must reconcile its records daily with clearing corporation and depository records to ensure they agree.	

Rule 4425. Protecting securities	Please include the precise reference to the Firm's Policies
(1) A Dealer Member must assess the risk of any securities location that holds securities for it and for the accounts of its clients.	
(2) A Dealer Member's processing controls must separate duties for recording entries from duties for initiating transfers on depository records (for instance, transfers between the "free" and "seg" boxes).	
(3) At least monthly, a Dealer Member must reconcile its records of security and other asset positions to the custodian's records where securities are held. The Dealer Member must investigate differences and make appropriate adjustment entries as necessary.	
(4) A Dealer Member must have a proper written custody agreement with each custodian where securities are held.	
Rule 4426. How to handle security records	Please include the precise reference to the Firm's Policies
(1) Employees maintaining and balancing securities records must not be involved in handling physical securities.	
(2) A Dealer Member must promptly update its securities records to reflect changes in location and ownership of securities under its control.	
(3) Journal entries made to securities records must be clearly identified and a Dealer Member must review and approve adjustments before processing.	
Rule 4427. Rules for counting securities	Please include the precise reference to the Firm's Policies
(1) At least once a year, a Dealer Member must count physical securities held: <ul style="list-style-type: none"> (i) in segregation, and (ii) for safekeeping, in addition to its annual external audit physical security count. 	
(2) At least monthly, a Dealer Member must count physical securities held in current boxes.	
(3) Only employees who do not handle securities may conduct physical security counts.	

<p>(4) Count procedures must include all physical securities held in the box location subject to the count and must simultaneously verify related positions such as positions in transit or in the process of being transferred.</p>	
<p>(5) During a physical security count, both the description of the security and the quantity must be compared to the Dealer Member's records. Any discrepancies must be investigated and corrected promptly. Positions not reconciled within a reasonable period must be promptly reported to the Dealer Member's appropriate Executives and accounted for.</p>	
<p>Rule 4428. Moving certificates and securities between branches</p>	<p>Please include the precise reference to the Firm's Policies</p>
<p>(1) A Dealer Member must record the location of certificates in transit between its offices in separate transit accounts on its security position records. The Dealer Member must reconcile these accounts monthly.</p>	
<p>(2) When securities are in transit, a Dealer Member must book out the securities from the branch account and book them into the transit account. When the securities are physically received at a branch, the Dealer Member must book them out of the transit account and into the receiving branch's account.</p>	
<p>(3) The receiving branch must check securities received against the accompanying transit sheet.</p>	
<p>(4) The methods of transportation a Dealer Member chooses for securities in transit must:</p> <ul style="list-style-type: none"> (i) comply with insurance policy terms, and (ii) take into account the value, negotiability, urgency, and cost factors. 	

Rule 4429. Transferring Securities	Please include the precise reference to the Firm's Policies
(1) A Dealer Member must maintain a record showing all securities sent to, and held by, transfer agents.	
(2) Only authorized employees outside the transfer department should be able to request transfers into a name other than the Dealer Member's name. Only fully-paid securities (new issues excepted) may be transferred into a name other than the Dealer Member's name.	
(3) The transfer department may carry out transfers only when it receives a properly authorized request.	
(4) A Dealer Member's security position record must record, and name them as, "securities out for transfer".	
(5) A Dealer Member must have a receipt for a securities position at a transfer agent.	
(6) A Dealer Member must prepare, and the department manager or another appropriate manager must review, a weekly ageing of all transfer positions to verify the validity of the positions and the reasons for any undue delay in receiving securities from transfer agents.	
(7) Authorized employees handling transfers must not have other security cage functions such as deliveries, or the management of current box and segregated box positions.	
Rule 4430. Re-organization	Please include the precise reference to the Firm's Policies
(1) A Dealer Member must have a formal procedure to identify and record the timing and terms of all issuances such as forthcoming rights and offers.	
(2) A Dealer Member must have a clear method of communicating upcoming re-organization activities to the sales force. These include deadlines for submitting special instructions in writing and any special handling procedures required for key dates.	
(3) An authorized employee or department must have clear responsibility for organizing and handling each offer.	

(4) A Dealer Member must clearly define procedures to balance positions daily and to physically control securities.	
(5) A Dealer Member must regularly reconcile and review suspense accounts involving offers and splits.	

Additional Comments

Section 15: RULE 4402-4407 – Safekeeping

RULE 4403. Written Safekeeping Agreement	Please include the precise reference to the Firm's Policies
(1) A Dealer Member with securities held for safekeeping must have a written safekeeping agreement with each client it holds securities for.	
RULE 4404. Securities free from encumbrance	Please include the precise reference to the Firm's Policies
(1) A Dealer Member must keep securities held for safekeeping free from any encumbrance.	
RULE 4405. Procedures to keep securities apart	Please include the precise reference to the Firm's Policies
(1) A Dealer Member must keep securities held for safekeeping separate from all other securities and must have procedures in place to ensure this separation.	
RULE 4406. Identifying securities held for safekeeping in records	Please include the precise reference to the Firm's Policies
(1) Securities held in safekeeping are recorded as such in the firm's securities position records, client's ledger and statement of account.	
RULE 4407 Release of securities held in safekeeping	Please include the precise reference to the Firm's Policies
(1) A Dealer Member may release securities held for safekeeping to others only when the client so instructs.	

Additional Comments

Section 16: RULE 4300 - Segregation, Custody and Client Free Credit Balances

Rule 4320. General restrictions	Please include the precise reference to the Firm's Policies
(1) A Dealer Member must: <ul style="list-style-type: none"> (i) ensure that a segregation deficiency is not knowingly created or increased, and (ii) not deliver securities it holds against payment for the account of any client if those securities are required to satisfy the Dealer Member's segregation requirements. 	
Rule 4321. Correcting segregation deficiencies	Please include the precise reference to the Firm's Policies
(1) If any segregation deficiency exists, the Dealer Member must promptly take the most appropriate action necessary to correct the deficiency.	
(2) Common deficiencies and appropriate remedial actions include, but are not limited to, those in sections 4322 through 4326	
Rule 4327. General	Please include the precise reference to the Firm's Policies
(1) A Dealer Member must, at a minimum, comply with the policies and procedures for segregated securities in sections 4328 through 4332 and the supervision requirements in Rule 3900.	
Rule 4329. Twice-weekly report of items requiring segregation	Please include the precise reference to the Firm's Policies
(1) A Dealer Member must produce a segregation report at least twice weekly.	
Rule 4330. Reporting segregation deficiency	Please include the precise reference to the Firm's Policies
(1) A Dealer Member must set reasonable guidelines so that any material segregation deficiency is reported promptly to the Dealer Member's appropriate Executives.	

Rule 4331. Authorized employees to move securities	Please include the precise reference to the Firm's Policies
(1) A Dealer Member must limit who can move segregated securities into or out of segregation to only authorized employees.	
Rule 4332. Daily supervisory review of segregation report	Please include the precise reference to the Firm's Policies
(1) A Dealer Member must do a daily supervisory review of the most recent segregation report produced to identify and correct segregation deficiencies.	
(2) A Dealer Member must do a supervisory review or adopt and implement other procedures to ensure that provide reasonable assurance the segregation report is complete and accurate.	
Rule 4343. Timely deposit	Please include the precise reference to the Firm's Policies
(1) As required in Form 1, a Dealer Member must execute a written custodial agreement with each external custodian. In order for the external custodian to qualify as an external acceptable securities location the written custodial agreement must state the regulatory provisions.	
Rule 4353. Agreement with each external securities location	Please include the precise reference to the Firm's Policies
(1) As required in Form 1, a Dealer Member must execute a written custodial agreement with each external custodian. In order for the external custodian to qualify as an external acceptable securities location the written custodial agreement must state the regulatory provisions.	
Rule 4385. Weekly calculation	Please include the precise reference to the Firm's Policies
(1) At least weekly, but more frequently if required, a Dealer Member must calculate the amount that must be segregated under section 4384.	
Rule 4386. Daily compliance review	Please include the precise reference to the Firm's Policies
(1) Every day, a Dealer Member must compare the amount of client free credit balances it has segregated to the amount subsection 4384(2) requires to be segregated.	

(2) A Dealer Member must identify and correct any deficiency in amounts of free credit balances required to be segregated within five business days following the determination of the deficiency.

Rule 3917. Annual supervisory review of financial and operational policies and procedures

Please include the precise reference to the Firm's Policies

(1) A Dealer Member must ensure that a supervisory review of its financial and operational policies and procedures is completed at least annually and that any deficiencies are identified and corrected.

Additional Comments

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