INVESTMENT DEALERS ASSOCIATION OF CANADA

notice

ASSOCIATION CANADIENNE DES COURTIERS EN VALEURS MOBILIÈRES

FINANCIAL COMPLIANCE NOTICE

FC97 – 11

January 5, 1998

TO: All Chief Financial Officers, IDA Member Firms

Panel Auditors – IDA Audit Jurisdiction firms

(Re-issued as FC98-01)

Please distribute to:

- ■ Senior Management
- ☐ Regulatory Accounting
- ■ Internal Audit
- ☐ Credit
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- ☐ Derivatives
- ☐ Institutional
- ☐ Legal & Compliance
- ■ Operations
- ☐ Registration
- ☐ Research
- ☐ Retail
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- ☐ Training

AUDITOR'S SEGREGATION REPORT

In reference to IDA Form 1, "Special Compliance Report on Segregation", the IDA and other SRO's have determined that in the course of a year-end audit of any introducing broker, as defined in IDA Bylaw 35, auditors are not required to perform special compliance procedures in regards to security segregation and report on any findings. This will apply to securities of clients who are introduced through another SRO member.

This regulatory position is based on the fact that the Carrying Broker is a member of an SRO and is also subject to an audit, which includes special compliance procedures as they relate to the segregation of client fully paid and excess margin securities. This testing includes the securities of the accounts of the Introducing Broker.

In respect to GAAS, auditors must assess in the course of their audit as to whether any form of comfort is required to be obtained from the auditors of the Carrying Broker in respect to any of the terms set out in the Introducing/Carrying Broker Agreement.

Questions concerning this notice may be directed to Maysar Al-Samadi, Director of Financial Compliance at (416) 943-6902.