Corporation Investment Dealer and Partially Consolidated Rules

August 8, 2023
RULE 1100 | INTERPRETATION

1101. Introduction

(1) Rule 1100 sets out general rules of interpretation that apply to the Corporation requirements, and certain specific interpretative provisions.

1102. General interpretation

(1) If the context requires, words in the singular may include the plural and words in the plural may include the singular.

(2) All times referred to in the Corporation requirements are Eastern Standard Time, or Eastern Daylight Savings Time when in effect, unless stated otherwise.

(3) References to:
   (i) a Dealer Member include its Approved Persons and employees, if the context is appropriate,
   (ii) a Dealer Member’s board of directors include a Dealer Member’s equivalent governance body for a Dealer Member that is not a corporation,
   (iii) a corporation, as a type of entity to which the Corporation requirements apply, includes unincorporated entities if the context is appropriate, and
   (iv) provinces include all provinces and territories of Canada.

(4) In the event of any dispute as to the intent or meaning of any provisions within the Corporation requirements, the interpretation of the Board is final, subject to any appeal procedures that may be available.

1103. Delegation by a Dealer Member

(1) If a Corporation requirement requires an individual at a Dealer Member to perform a function, that individual may delegate the tasks or activities involved in performing the function unless the Corporation requirements specifically prohibit such delegation.

(2) An individual who delegates tasks or activities cannot delegate the responsibility for the function.

1104. Electronic signatures

(1) Subject to applicable laws, a Dealer Member may use an electronic or digital signature where a signature is required by Corporation requirements for an agreement, contract or transaction between a Dealer Member and its clients, Approved Persons, the Corporation, other Dealer Members or any other person unless specifically prohibited.

1105. Transitional provision

(1) The Corporation is the corporation continuing from the amalgamation effective January 1, 2023 of the Investment Industry Regulatory Organization of Canada and the Mutual Fund Dealers Association of Canada and as a result, for greater certainty:
   (i) any reference in these Rules to the Corporation includes the Investment Industry Regulatory Organization of Canada prior to January 1, 2023,
   (ii) any person subject to the jurisdiction of the Investment Industry Regulatory Organization of Canada prior to January 1, 2023 remains subject to the jurisdiction of the Corporation in respect of any action or matter that occurred while that person was subject to the
jurisdiction of the Investment Industry Regulatory Organization of Canada at the time of such action or matter,

(iii) any individual that was an Approved Person under the Investment Industry Regulatory Organization of Canada requirements immediately prior to January 1, 2023 continues to be an Approved Person in respect of these Rules if that individual has not ceased to be approved by the Corporation, and

(iv) the provisions of the articles, by-laws, rules, policies and any other instrument or requirement prescribed or adopted by the Investment Industry Regulatory Organization of Canada pursuant to such articles, by-laws, rules or policies, any approval, ruling or order granted or issued by the Investment Industry Regulatory Organization of Canada, in each case while a person was subject to the jurisdiction of the Investment Industry Regulatory Organization of Canada will continue to be applicable, whether presently effective or effective at a later date, to that person in accordance with their terms and may be enforced by the Corporation.

(2) Any exemption from a Rule of the Corporation, including for greater certainty, an exemption granted by the Investment Industry Regulatory Organization of Canada, in effect prior to the coming into effect of these Rules shall remain in effect subsequent to the coming into effect of these Rules:

(i) subject to any condition included in the exemption, and

(ii) provided that the applicable prior rule of the Corporation on which the exemption is based, substantially continues in these Rules.

(3) The Corporation shall continue the regulation of persons subject to the jurisdiction of the Investment Industry Regulatory Organization of Canada that was formerly conducted by the Investment Industry Regulatory Organization of Canada, including any enforcement or review proceedings, in accordance with the by-laws, rules and policies of the Investment Industry Regulatory Organization of Canada, and any other instrument or requirement prescribed or adopted by the Investment Industry Regulatory Organization of Canada pursuant to such by-laws, rules or policies, in each case in effect at the time of any action or matter that occurred while that person was subject to the jurisdiction of the Investment Industry Regulatory Organization of Canada.

(4) Each individual who on December 31, 2022 was a member of the Hearing Committee of the Investment Industry Regulatory Organization of Canada shall be automatically deemed to be a member of a District Hearing Committee of the Corporation as of January 1, 2023 and the term of each such individual as a member of a District Hearing Committee of the Corporation shall expire on the date that his or her term as a member of the Hearing Committee of the Investment Industry Regulatory Organization of Canada would have expired or at such other time as the Appointments Committee of the Corporation shall otherwise determine.

(5) Any enforcement or review proceedings commenced by the Investment Industry Regulatory Organization of Canada in accordance with its rules prior to January 1, 2023:

(i) in respect of which a hearing panel has been appointed, shall proceed in accordance with the by-laws, decisions, directions, policies, regulations, rules, rulings and practice and procedure of the Investment Industry Regulatory Organization of Canada in effect and
Corporation Investment Dealer and Partially Consolidated Rules

applicable to such enforcement or review proceeding at the time it was commenced and shall continue to be heard by the same hearing panel, and

(ii) in respect of which a hearing panel has not been appointed, shall proceed in accordance with the by-laws, decisions, directions, policies, regulations, rules, rulings and practice and procedure of the Investment Industry Regulatory Organization of Canada, in effect and applicable to such enforcement or review proceeding at the time it was commenced, provided that, despite any provision of the by-laws, decisions, directions, policies, regulations, rules, rulings or practice and procedure of the Investment Industry Regulatory Organization of Canada in effect and applicable to such enforcement or review proceeding, these Rules shall apply to the appointment of the hearing panel.

1106. – 1199. Reserved.
**RULE 1200 | DEFINITIONS**

1201. Definitions

(1) Some terms used throughout the *Corporation requirements* are defined in subsection 1201(2). Additional terms are set out in the *Corporation* General By-Law No. 1 and in Form 1. Terms that are used only in a single Rule are defined in that Rule.

Any term not defined in subsection 1201(2), in *Corporation* General By-Law No. 1, in Form 1 or in a specific Rule, which is defined in *securities laws*, has the same meaning as provided for in the *securities laws*.

When a prescribed or adopted policy defines a term that the *Corporation requirements* also defines, the definition contained in the policy prevails to the extent of any inconsistency, when interpreting that policy.

(2) The following terms have the meanings set out when used in the *Corporation requirements*:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>“acceptable clearing corporation”</td>
<td>The same meaning as set out in Form 1, General Notes and Definitions.</td>
</tr>
<tr>
<td>“acceptable counterparty”</td>
<td>The same meaning as set out in Form 1, General Notes and Definitions.</td>
</tr>
<tr>
<td>“acceptable exchange”</td>
<td>The same meaning as set out in Form 1, General Notes and Definitions.</td>
</tr>
<tr>
<td>“acceptable institutions”</td>
<td>The same meaning as set out in Form 1, General Notes and Definitions.</td>
</tr>
<tr>
<td>“acceptable foreign marketplace”</td>
<td>Any entity operating as:</td>
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<tr>
<td></td>
<td>(i) an exchange, or a quotation and trade reporting system, or an alternative trading system for securities or derivatives transactions that is subject to legislation and oversight by a central or regional government authority in the country of operation, or</td>
</tr>
<tr>
<td></td>
<td>(ii) a quotation and trade reporting system, or an alternative trading system for securities or derivatives transactions that is subject to the rules of a self-regulatory organization, which is subject to legislation and oversight by a central or regional government authority in the country of operation.</td>
</tr>
<tr>
<td></td>
<td>The legislation or oversight regime must provide for or recognize the exchange’s, or the quotation and trade reporting system’s, or the alternative trading system’s powers of compliance and enforcement over its members or participants.</td>
</tr>
<tr>
<td>“acceptable securities locations”</td>
<td>The same meaning as set out in Form 1, General Notes and Definitions.</td>
</tr>
<tr>
<td>“actively engaged in the business of the Dealer Member”</td>
<td>Participating in the Dealer Member’s regular business activities, operations or promotion of a Dealer Member’s services. It does not include participating in board or board corporate governance committee meetings or occasional referrals to the Dealer Member that were not solicited on the Dealer Member’s behalf.</td>
</tr>
<tr>
<td>“advertisement”</td>
<td>Any commercials, commentaries and any published materials promoting a Dealer Member’s business, including materials disseminated or made available electronically.</td>
</tr>
</tbody>
</table>
| “advisory account” | An account which is subject to a suitability determination where:  
(i) the client is responsible for all investment decisions but is able to rely on advice given by a Registered Representative, and  
(ii) the Dealer Member and the Registered Representative are responsible for all advice given. |
| “advisory capacity” | Providing advice to an issuer in return for remuneration other than trading advice or related services. |
| “affiliate” | Where used to indicate a relationship between two corporations, means:  
(i) one corporation is a subsidiary of the other corporation,  
(ii) both corporations are subsidiaries of the same corporation, or  
(iii) both corporations are controlled by the same person. |
| “agent” | An individual who is subject to the principal and agent relationship requirements set out in Rule 2300. |
| “applicable laws” | All laws, statutes, ordinances, regulations, rules, orders, judgments, decrees or other regulatory directions, applicable to a Regulated Person or its employees, partners, directors or officers, in the conduct of their business. |
| “approved investor” | An industry investor (defined in clause 2102(1)) or any other person who requires the approval of the Corporation to invest in a Dealer Member. |
| “Approved Person” | An individual approved by the Corporation under these Rules to carry out a function for a Dealer Member, namely, the following individuals:  
(i) Associate Portfolio Manager,  
(ii) Chief Compliance Officer,  
(iii) Chief Financial Officer,  
(iv) Director,  
(v) Executive,  
(vi) Investment Representative,  
(vii) Portfolio Manager,  
(viii) Registered Representative,  
(ix) Supervisor,  
(x) Trader, or  
(xi) Ultimate Designated Person. |
| “associate” | The same meaning as set out in General By-law No. 1, section 1.1. |
| “Associate Portfolio Manager” | An individual designated by the Dealer Member and approved by the Corporation to provide discretionary portfolio management for managed accounts under the supervision of a Portfolio Manager. |
| “beneficial owner” | A person who has beneficial ownership of securities. |
| “beneficial ownership” | Beneficial ownership of securities includes ownership:  
(i) of securities by:
   (a) a corporation, or
   (b) affiliates of a corporation,  
       that is controlled by a person,  
       or
(ii) by a corporation of securities beneficially owned by the affiliates  
       of the corporation. |
<p>| “Board” | The same meaning as set out in General By-law No. 1, section 1.1. |
| “bundled order” | Has the same meaning as set out in the Universal Market Integrity Rules. |
| “business day” | A day other than Saturday, Sunday and any statutory holiday in the relevant District. |
| “business location” | A location where an activity that requires registration or Corporation approval is carried out by or on behalf of a Dealer Member, and includes a residence if regular and ongoing activity that requires registration or approval is carried out from the residence or if records relating to an activity that requires registration or approval are kept at the residence. |
| “carrying broker” | A Dealer Member that carries client accounts for another Dealer Member or for a Mutual Fund Dealer Member, which includes the clearing and settlement of trades, the maintenance of records of client transactions and accounts, and the custody of client cash and securities, in accordance with the requirements set out in Rule 2400. |
| “CDS” | CDS Clearing and Depository Services Inc. |
| “chartered bank” | A bank incorporated under the Bank Act (Canada). |
| “Chief Compliance Officer” | An individual approved by the Corporation to act as the chief compliance officer of a Dealer Member. |
| “Chief Financial Officer” | An individual approved by the Corporation to act as the chief financial officer of a Dealer Member. |
| “clearing day” | Any day CDS or another acceptable clearing corporation is open for business. |
| “control” | Where used to indicate control of a corporation, means a person who has beneficial ownership of voting securities in the corporation that carry more than 50% of the votes for election of directors of the corporation and such votes allow the person to elect a majority of the directors; but if a hearing panel orders that a person does or does not control the corporation under the Corporation requirements, that order defines their relationship under the Corporation requirements. |
| “Corporation” | The same meaning as set out in General By-law No. 1, section 1.1. |
| “Corporation Membership Disclosure Policy” | The policy setting out the Corporation’s Membership disclosure requirements for Dealer Members, as made available on the Corporation’s website. |
| “Corporation requirements” | Requirements set out within the Corporation’s articles, by-laws and rules, along with all other instruments prescribed or adopted within Corporation’s by-laws and rules, and Corporation rulings, except, for the purposes of these Rules, requirements applicable to Mutual Fund Dealer Members and their Approved Persons and employees are to be excluded. |
| “correspondence” | Any advertisement or business related communication, including any written or electronic communication, prepared for distribution to a single current or prospective client, but not for distribution to multiple clients or the general public. |
| “Dealer Member” | The same meaning as set out in General By-law No. 1, section 1.1, except, for the purposes of these Rules, Mutual Fund Dealer Members are to be excluded. |
| “Dealer Member related activities” | Acting as a Dealer Member, or carrying on business that is necessary or incidental to being a Dealer Member. The Board may include or exclude any activities from this definition. |
| “Dealer Member’s auditor” | An auditor on the Corporation approved list of accounting firms chosen by the Dealer Member to be its auditor. |
| “debt security” | Any security that provides the holder with a legal right, in specified circumstances, to demand payment of the amount owing and includes a debtor-creditor relationship. The term includes securities with short-term maturities or mandatory tender periods such as commercial paper and floating rate notes as well as traditional notes and bonds. |
| “derivative” | A financial instrument whose value is derived from, and reflects changes in, the price of the underlying product. It is designed to facilitate the transfer and isolation of risk and may be used for both risk transference and investment purposes. |
| “designated rating organization” | The same meaning as set out in Form 1, General Notes and Definitions. |
| “designated Supervisor” | A Supervisor that the Dealer Member makes responsible for a supervisory role defined in the Corporation requirements, including a Supervisor responsible for: (i) the supervision of futures contracts and futures contract options trading accounts under Part D of Rule 3200, (ii) the supervision of options trading accounts under Part D of Rule 3200, (iii) the supervision of discretionary accounts under Part E of Rule 3200, (iv) the opening of new accounts and the supervision of account activity under Part B of Rule 3900, (v) the supervision of managed accounts under Part G of Rule 3900, (vi) the pre-approval of advertising, sales literature and correspondence under Part A of Rule 3600, and (vii) the supervision of research reports under Part B of Rule 3600. |</p>
<table>
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<th>Term</th>
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<tbody>
<tr>
<td>“direct electronic access account”</td>
<td>An account which is not subject to suitability determination (other than as required by clauses 3402(3)(i) and 3403(4)(ii)) where: (i) the client has been provided with direct electronic access within the meaning of National Instrument 23-103, (ii) the Dealer Member provides no recommendations to purchase, sell, hold or exchange any security, including any class of security or security of a class of issuer, and (iii) the Dealer Member complies with the Universal Market Integrity Rule requirements applicable to the direct electronic access service offering and the requirements of NI 23-103.</td>
</tr>
<tr>
<td>“Director”</td>
<td>A member of a Dealer Member’s board of directors or an individual performing similar functions at a Dealer Member that is not a corporation.</td>
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<tr>
<td>“discretionary account”</td>
<td>An account which is subject to the suitability determination and over which the client has given discretionary authority where: (i) the Dealer Member has not solicited the discretionary authority, (ii) the discretionary authority is accepted to accommodate a client who is frequently or temporarily unavailable to authorize trades, (iii) the discretionary authority has not been renewed, and (iv) the term of the discretionary authority does not exceed 12 months.</td>
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<tr>
<td>“District”</td>
<td>The same meaning as set out in General By-law No. 1, section 1.1.</td>
</tr>
<tr>
<td>“domestic gross customer margin model”</td>
<td>A framework to comply with a futures segregation and portability customer protection regime where the amount of margin that a Dealer Member must post on behalf of its clients to a clearing corporation in Canada is the sum of the amounts of margin required for each client.</td>
</tr>
<tr>
<td>“early warning excess”</td>
<td>This is calculated and has the same meaning as set out in Statement C of Form 1.</td>
</tr>
<tr>
<td>“early warning reserve”</td>
<td>This is calculated and has the same meaning as set out in Statement C of Form 1.</td>
</tr>
<tr>
<td>“equity security”</td>
<td>An interest, investment or security in a corporation in respect of which the holder has no legal right to demand payment until the corporation or its board of directors has passed a resolution declaring a dividend or other distribution or a winding up of the corporation.</td>
</tr>
<tr>
<td>“employee”</td>
<td>An employee or agent of a Dealer Member.</td>
</tr>
<tr>
<td>“Enforcement Staff”</td>
<td>Corporation staff who are authorized to conduct enforcement activities on behalf of the Corporation, including conducting investigations and initiating and conducting disciplinary proceedings.</td>
</tr>
<tr>
<td><strong>“Executive”</strong></td>
<td>A Dealer Member’s partner, Director or officer who is involved in the Dealer Member’s senior management, including anyone fulfilling the role of chair or vice-chair of the board of directors, chief executive officer, president, chief administrative officer, chief operating officer or a person acting in a similar capacity who is head of operations, Chief Financial Officer, Chief Compliance Officer, Ultimate Designated Person, member of an executive management committee or any other position that the Dealer Member designates as an Executive position.</td>
</tr>
</tbody>
</table>
| **“free credit balance”** | Free credit balance means:  
(i) for cash and margin accounts, the credit balance less an amount equal to the aggregate of:  
(a) the market value of short positions, and  
(b) margin required on those short positions, and  
(ii) for futures accounts, the credit balance less an amount equal to the aggregate of:  
(a) margin required to carry open futures contracts or futures contract option positions, less  
(b) any equity in those contracts, plus  
(c) any deficits in those contracts.  
However, the aggregate amount must not exceed the dollar amount of the credit balance. |
| **“futures contract”** | A contract to make or take delivery of the underlying interest during a designated future month on terms agreed to when the contract is entered on a futures exchange. |
| **“futures contract option”** | A right to acquire a long or short position in connection with a futures contract on terms agreed to at the time the option is granted and any option that has a futures contract as its underlying interest. |
| **“futures segregation and portability customer protection regime”** | A set of rules and procedures that enable a clearing corporation to operate according to the standards outlined in Principle 14 of the Principles for Financial Market Infrastructures published by the Bank for International Settlements and the International Organization of Securities Commissions, regarding client futures positions and collateral that support these positions. |
| **“Global Legal Entity Identifier System”** | Has the same meaning as set out in the Universal Market Integrity Rules. |
| **“guarantee”** | An agreement to be responsible for the liabilities of a person or to provide security for a person; and includes an agreement to:  
(i) purchase an investment, property or services,  
(ii) to supply funds, property or services, or  
(iii) to make an investment,  
if the agreement’s main purpose is to allow a person to perform its obligations under a security or investment, or to assure an investor in a security that the person will perform its obligations. |
<p>| <strong>“hearing”</strong> | A hearing in connection with a proceeding, proposed proceeding or other matter under the Corporation requirements, other than a prehearing conference (defined in section 8402). |</p>
<table>
<thead>
<tr>
<th>Term</th>
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</tr>
</thead>
<tbody>
<tr>
<td>“hearing committee”</td>
<td>A hearing committee of a District appointed under Rule 8300.</td>
</tr>
<tr>
<td>“hearing panel”</td>
<td>A panel selected by the National Hearing Officer to conduct a hearing or prehearing conference (defined in section 8402).</td>
</tr>
<tr>
<td>“holding company”</td>
<td>Of a corporation means either:</td>
</tr>
<tr>
<td></td>
<td>(i) another corporation that owns:</td>
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<tr>
<td></td>
<td>(a) more than 50 per cent of each class or series of the voting securities, and</td>
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<tr>
<td></td>
<td>(b) more than 50 per cent of each class or series of the participating securities, either directly in the corporation or in the holding company of the corporation, but does not include:</td>
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<td></td>
<td>(ii) an industry investor (defined in clause 2102(1)(i)) that owns the corporation’s securities in the capacity of an industry investor, or</td>
</tr>
<tr>
<td></td>
<td>(iii) a corporation that the Corporation has ordered is not a holding company of that corporation.</td>
</tr>
<tr>
<td>“individual”</td>
<td>A natural person.</td>
</tr>
<tr>
<td>“industry member”</td>
<td>A current or former director, officer, partner or employee of a Member or Regulated Person, or an individual who is otherwise suitable and qualified for appointment to a hearing committee.</td>
</tr>
<tr>
<td>“institutional client”</td>
<td>(i) An acceptable counterparty, (ii) an acceptable institution, (iii) a regulated entity, (iv) a registrant under securities law, other than an individual registrant, or (v) a non-individual with total securities under administration or management of more than $10 million.</td>
</tr>
<tr>
<td>“internal controls”</td>
<td>The financial and operational policies and procedures established, maintained and applied by the Dealer Member’s management to provide reasonable assurance of the orderly and efficient conduct of the Dealer Member’s business.</td>
</tr>
<tr>
<td>“inter-dealer bond broker”</td>
<td>A person that provides information, trading and communications services for domestic debt securities trading among inter-dealer bond broker clients (defined in section 7302).</td>
</tr>
<tr>
<td>“introducing broker”</td>
<td>A Dealer Member or a Mutual Fund Dealer Member that introduces its client accounts to one or more carrying brokers, in accordance with the requirements set out in Rule 2400.</td>
</tr>
<tr>
<td>“investigation”</td>
<td>The powers of the Corporation to initiate and conduct enforcement investigations as set out in Rule 8100.</td>
</tr>
<tr>
<td>“Investment Representative”</td>
<td>An individual, approved by the Corporation, to trade in, but not advise on, securities, options, futures contracts or futures contract options, on the Dealer Member’s behalf, including where that individual deals only in mutual funds.</td>
</tr>
<tr>
<td>“IPF” or “Investor Protection Fund”</td>
<td>The same meaning as set out for the term IPF in General By-law No. 1, section 1.1.</td>
</tr>
<tr>
<td><strong>“IPF Disclosure Policy”</strong></td>
<td>The policy setting out the <em>Investor Protection Fund’s</em> membership disclosure requirements, as made available on <em>IPF’s</em> website.</td>
</tr>
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<td>--------------------------</td>
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</tr>
<tr>
<td><strong>“Legal Entity Identifier”</strong></td>
<td>A unique identification code assigned to a <em>person</em> in accordance with standards set by the <em>Global Legal Entity Identifier System</em>.</td>
</tr>
<tr>
<td><strong>“Legal Entity Identifier System Regulatory Oversight Committee”</strong></td>
<td>Has the same meaning as set out in the Universal Market Integrity Rules.</td>
</tr>
<tr>
<td><strong>“listed security”</strong></td>
<td>Has the same meaning as set out in the Universal Market Integrity Rules.</td>
</tr>
<tr>
<td><strong>“managed account”</strong></td>
<td>An account which is subject to a suitability determination where: (i) investment decisions are made on a continuing basis by a Portfolio Manager or an Associate Portfolio Manager or a third party hired by the Dealer Member, and (ii) the Dealer Member, or a third party hired by the Dealer Member, and the Portfolio Manager or Associate Portfolio Manager are responsible for all investment decisions made.</td>
</tr>
<tr>
<td><strong>“manipulative and deceptive activities”</strong></td>
<td>Any manipulative or deceptive methods, act or practice in connection with any order or trade on a marketplace, and includes the entry of an order or the execution of a trade that would create or could reasonably be expected to create: (i) a false or misleading appearance of trading activity in or interest in the purchase or sale of a security, or (ii) an artificial ask price, bid price or sale price for the security or a related security.</td>
</tr>
<tr>
<td><strong>“Marketplace”</strong></td>
<td>The same meaning as set out in General By-law No. 1, section 1.1.</td>
</tr>
<tr>
<td><strong>“Marketplace Member”</strong></td>
<td>The same meaning as set out in General By-law No. 1, section 1.1.</td>
</tr>
<tr>
<td><strong>“market value”</strong></td>
<td>The same meaning as set out in Form 1, General Notes and Definitions.</td>
</tr>
<tr>
<td><strong>“Member”</strong></td>
<td>The same meaning as set out in General By-law No. 1, section 1.1.</td>
</tr>
<tr>
<td><strong>“Membership”</strong></td>
<td><em>Corporation</em> membership.</td>
</tr>
<tr>
<td><strong>“Monitor”</strong></td>
<td>A <em>person</em> appointed under section 8209 or 8212 to monitor a Regulated Person’s business and affairs and to exercise powers granted by a hearing panel.</td>
</tr>
<tr>
<td><strong>“multiple client order”</strong></td>
<td>Has the same meaning as set out in the Universal Market Integrity Rules.</td>
</tr>
<tr>
<td><strong>“Mutual Fund Dealer Member”</strong></td>
<td>A <em>Member</em> that is registered as a mutual fund dealer in accordance with <em>securities law</em> and is not also registered as an investment dealer.</td>
</tr>
<tr>
<td><strong>“National Hearing Officer”</strong></td>
<td>A <em>person</em> appointed by the <em>Corporation</em> who is responsible for the administration of enforcement and other proceedings under the <em>Corporation requirements</em> and other employees of the <em>Corporation</em> to whom the <em>person</em> delegates the performance of such functions.</td>
</tr>
<tr>
<td><strong>“non-client accounts” or “non-client orders”</strong></td>
<td>Accounts or orders in which the Dealer Member or an Approved Person has a direct or indirect interest other than the commission charged.</td>
</tr>
<tr>
<td>“officer”</td>
<td>A Dealer Member’s chair or vice-chair of the board of directors, chief executive officer, president, chief administrative officer, Chief Compliance Officer, Chief Financial Officer, chief operating officer, vice-president, secretary, any other person designated an officer of a Dealer Member by law or similar authority, or any person acting in a similar capacity on behalf of a Dealer Member.</td>
</tr>
</tbody>
</table>
|“option” | A derivative contract that:  
(i) gives the purchaser the right, but not the obligation, to buy or sell an underlying asset at a certain price (exercise price) on or before an agreed upon date, and  
(ii) imposes on the seller an obligation, if called upon by the purchaser, to buy in the case of puts, or sell in the case of calls, at the exercise price. |
|“order execution only account” | An account which is not subject to a suitability determination (other than as required by clauses 3402(3)(i) and 3403(4)(i)) where:  
(i) the client is solely responsible for making all investment decisions, and  
(ii) the Dealer Member provides no recommendation to purchase, sell, hold or exchange any security, including any class of security or security of a class of issuer. |
|“Participant” | Has the same meaning as set out in the Universal Market Integrity Rules. |
|“party” | A party to a proceeding under the Corporation requirements, including Enforcement Staff and Corporation staff. |
|“person” | An individual, a partnership, a corporation, a government or any of its departments or agencies, a trustee, an incorporated or unincorporated organization, an incorporated or unincorporated syndicate or an individual’s heirs, executors, administrators or other legal representatives. |
|“Portfolio Manager” | An individual designated by the Dealer Member and approved by the Corporation to provide discretionary portfolio management for managed accounts. |
|“President” | The same meaning as set out in General By-law No. 1, section 1.1. |
|“public member” | A public member in relation to a hearing committee means:  
(i) a current or retired member of the law society of a province, other than Québec, who is in good standing at the law society, or  
(ii) in Québec, a current or retired member of the Barreau du Québec, who is in good standing at the Barreau. |
<p>|“recognized foreign self-regulatory organization” | A foreign self-regulatory organization which offers reciprocal treatment to Canadian applicants and which has been recognized by the Corporation as such. |
|“records” | Books, records, client files and information and other documentation, including electronic documents, related to the Investment Dealer Rule Regulated Person’s business. |
|“Region” | The same meaning as set out in General By-law No. 1, section 1.1. |
|“Regional Council” | The same meaning as set out in General By-law No. 1, section 1.1. |
| “Registered Representative” | An individual, approved by the Corporation, to trade, or advise on trades, in securities, options, futures contracts, or futures contract options with the public in Canada, on the Dealer Member’s behalf, including where that individual deals only in mutual funds or only with institutional clients. |
| “regulated entity” | The same meaning as set out in Form 1, General Notes and Definitions. |
| “Regulated Persons” | The same meaning as set out in General By-law No. 1, section 1.1, except, for the purposes of these Rules, current and former Mutual Fund Dealer Members and their current and former representatives are to be excluded. |
| “related company” | A sole proprietorship, partnership or corporation that is a Dealer Member and is related to another Dealer Member because: (i) it, or its Executives, Directors, officers, shareholders or employees (individually or collectively) have at least a 20% ownership interest in the other Dealer Member, or (ii) the other Dealer Member, or its Executives, Directors, officers, shareholders or employees (individually or collectively) have at least a 20% ownership interest in it, where the ownership interest includes an interest as a partner or shareholder, either directly or indirectly, or an interest through one or more holding companies. But if the Board has ordered that two persons are, or are not, related companies under the Corporation requirements, that order defines their relationship under the Corporation requirements. |
| “remuneration” | Any benefit or consideration, including goods and service, monetary or otherwise that could be provided to or received by a person. |
| “repurchase agreement” | An agreement to sell and repurchase securities. |
| “research report” | Any written or electronic communication for distribution to clients or prospective clients containing an analyst’s recommendation about the purchase, sale or holding of a security, excluding any government debt security or any government guaranteed debt security. |
| “respondent” | A person who is the subject of a proceeding or settlement under Corporation requirements. |
| “reverse repurchase agreement” | An agreement to purchase and resell securities. |
| “retail client” | A client that is not an institutional client. |
| “risk adjusted capital” | The capital level maintained by a Dealer Member, calculated in accordance with the Corporation requirements set out in Form 1. |
| “Rules” | These Rules made pursuant to General By-law No.1 and any Forms prescribed thereunder. |
| “safekeeping” | The holding of securities by a Dealer Member for a client in accordance with the requirements set out in Part A of Rule 4400. |</p>
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>“sales literature”</td>
<td>Any written or electronic communication for client use which contains a recommendation relating to a security or trading strategy, but does not include: (i) any communication that is an advertisement or correspondence, or (ii) preliminary prospectuses and prospectuses.</td>
</tr>
<tr>
<td>“sanction”</td>
<td>A penalty imposed by a hearing panel or a penalty or other measure imposed under a settlement agreement.</td>
</tr>
<tr>
<td>“securities laws”</td>
<td>Any laws about trading, distributing, advising or any other related activities in securities, futures contracts, futures contract options or derivatives in Canada enacted by the government of Canada or any province or territory in Canada and all regulations, rules, orders, judgments and other regulatory directions relating to such laws.</td>
</tr>
<tr>
<td>“securities regulatory authority”</td>
<td>Any commission or person in Canada, or any province or territory in Canada, authorized to administer securities laws and any person approved, recognized or authorized as an SRO by such commission.</td>
</tr>
<tr>
<td>&quot;securities related business&quot;</td>
<td>Any business or activity (whether or not carried on for gain) engaged in, directly or indirectly, which constitutes trading or advising in securities or exchange contracts (including futures contracts and futures contract options) for the purposes of securities laws, including for greater certainty, offers and sales pursuant to exemptions under securities laws.</td>
</tr>
<tr>
<td>“segregation”</td>
<td>A practice whereby a Dealer Member holds in trust client securities that are: (i) held free and clear of any charge, lien, claim or encumbrance of any kind, (ii) ready for delivery to a client on demand, and (iii) held separate from the Dealer Member’s own security holdings.</td>
</tr>
<tr>
<td>“settlement agreement”</td>
<td>A written agreement between Corporation staff and a respondent to settle a proceeding or proposed proceeding under Rule 8200.</td>
</tr>
<tr>
<td>“settlement hearing”</td>
<td>A hearing relating to a settlement agreement.</td>
</tr>
<tr>
<td>“shared office premises”</td>
<td>Premises a Dealer Member shares with another regulated Canadian financial service entity that is involved in financial activities, such as banking, mutual funds, insurance, deposit taking or mortgage brokerage activities.</td>
</tr>
<tr>
<td>“significant area of risk”</td>
<td>A function, process or an activity within a Dealer Member in which a failure to mitigate or control its risk could lead to material harm to the Dealer Member’s liquidity, solvency, operational capabilities, clients, client assets and other client positions.</td>
</tr>
<tr>
<td>“SRO”</td>
<td>The same meaning as defined in National Instrument 14-101.</td>
</tr>
<tr>
<td>“subordinated debt”</td>
<td>Debt that does not entitle the holder to be paid in priority to any senior class of debt.</td>
</tr>
</tbody>
</table>
| “subsidiary” | Subsidiary of an entity means:  
(i) an entity it controls,  
(ii) a corporation it controls and one or more corporations controlled by that corporation, or  
(iii) a corporation controlled by two or more corporations it controls, and includes a corporation that is a subsidiary of another subsidiary of a corporation. |
| “Supervisor” | An individual given responsibility and authority by a Dealer Member, and approved by the Corporation, to manage the activities of the Dealer Member or the Dealer Member’s Approved Persons or employees to provide reasonable assurance they comply with the Corporation requirements and securities laws. |
| “temporary hold” | means a hold that is placed on the purchase or sale of a security on behalf of a client or on the withdrawal or transfer of cash or securities from a client’s account. |
| “total margin required” | The same meaning as set out in Statement B of Form 1. |
| “trade name” | A name a Dealer Member or Approved Person uses to conduct business and includes a group name under which a Dealer Member and its affiliates conduct business. |
| “Trader” | An individual, approved by the Corporation as a trader, whose activity is restricted to trading through a Marketplace Member’s trading system, and who may not advise the public. |
| “trading strategy” | A broad general approach to investments including matters such as the use of specific products, leverage, frequency of trading or a method of selecting particular investments but does not include specific trade or sectoral weighting recommendations. |
| “Ultimate Designated Person” | An individual approved by the Corporation to be responsible for the conduct of a designated Dealer Member and the supervision of its employees and to perform the functions for an ultimate designated person described in the Corporation requirements. |
| “written cash and securities loan agreement” | A written cash loan agreement or securities loan agreement, other than an overnight cash loan agreement (as defined in section 4602), where the Dealer Member receives or pays cash or, provides or receives securities, that contains the minimum provisions described in Part B of Rule 4600. |

1202. – 1299. Reserved.
RULE 1300 | EXEMPTIVE POWERS OF THE CORPORATION

1301. Introduction
   (1) Rule 1300 describes the powers of the Corporation to provide exemptions from Corporation requirements.

1302. Exemptions from the Corporation requirements
   (1) Unless otherwise prescribed by the Corporation requirements, the Board may exempt a Dealer Member from any Corporation requirement if satisfied that doing so would not be prejudicial to the interests of the public, Dealer Members or their clients. In granting an exemption, the Board may impose any terms or conditions that it considers necessary.

1303. – 1399. Reserved.
RULE 1400 | STANDARDS OF CONDUCT

1401. Introduction

Rule 1400 sets out the general standards of conduct that apply to Regulated Persons.

1402. Standards of conduct

(1) A Regulated Person:

(i) in the transaction of business must observe high standards of ethics and conduct and must act openly and fairly and in accordance with just and equitable principles of trade, and

(ii) must not engage in any business conduct that is unbecoming or detrimental to the public interest.

(2) Without limiting the generality of the foregoing, any business conduct that:

(i) is negligent,

(ii) fails to comply with a legal, regulatory, contractual or other obligation, including the rules, requirements, and policies of a Regulated Person,

(iii) displays an unreasonable departure from standards that are expected to be observed by a Regulated Person, or

(iv) is likely to diminish investor confidence in the integrity of securities, futures or derivatives markets,

may be conduct that contravenes one or more of the standards set forth in subsection 1402(1).

1403. Applicability

(1) For purposes of Corporation requirements:

(i) Dealer Members are responsible for all acts and omissions of their employees, partners, Directors and officers, and

(ii) non-Dealer Member users and subscribers to a Marketplace for which the Corporation is the regulation services provider are responsible for all acts and omissions of their employees, partners, directors, and officers.

(2) In addition to complying with all Corporation requirements:

(i) an Approved Person must avoid any act or omission that would cause their Dealer Member to violate any Corporation requirements, and

(ii) an employee, partner, director or officer of a non-Dealer Member user or subscriber of a Marketplace for which the Corporation is the regulation services provider must avoid any act or omission that would cause the user or subscriber to violate any Corporation requirements.

(3) For purposes of section 1402, the obligation of Regulated Persons that are non-Dealer Member users or subscribers of a Marketplace for which the Corporation is the regulation services provider is limited to the obligation to transact business openly and fairly when trading on a Marketplace or otherwise dealing in securities that are eligible to be traded on a Marketplace.
1404. Policies and procedures

(1) A Dealer Member must establish, maintain and apply written policies and procedures regarding the conduct of its business activities and operations.

(2) A Dealer Member must establish, maintain and apply written policies and procedures that establish a system of controls and supervision sufficient to provide reasonable assurance the Dealer Member, its employees and Approved Persons comply with Corporation requirements and securities laws. A Dealer Member may establish more stringent policies and procedures than those needed to comply with such requirements.

(3) Guidelines and best practices set out in Corporation guidance are generally intended to present acceptable methods that can be used to comply with specific Corporation requirements. Unless otherwise indicated, Dealer Members may use alternate methods, provided that those methods demonstrably achieve the overall objective of the Corporation requirements.

(4) The Corporation may require a Dealer Member to adopt additional or different policies and procedures if the existing policies and procedures are insufficient to comply with Corporation requirements.

1405. Evidence of compliance with the Corporation requirements

(1) A Dealer Member must establish a compliance system for monitoring compliance with Corporation requirements and securities laws. The compliance monitoring systems must specifically address preventing and detecting violations and include procedures for reporting the results of compliance monitoring to management.

(2) A Dealer Member must keep all records and evidence of its compliance with Corporation requirements that it produces, including supervisory reviews, reports and queries on compliance.

(3) The Corporation may require a Dealer Member to provide it with evidence, satisfactory to the Corporation, of the Dealer Member’s compliance with Corporation requirements.

1406. Compliance with all applicable laws

(1) A Dealer Member must comply with all relevant Corporation requirements, securities laws and applicable laws that are applicable to the Dealer Member’s activities.

(2) Where there is an inconsistency between any Corporation requirements, securities laws and applicable laws that apply to the Dealer Member’s activities, compliance with the most stringent of the Corporation requirements, securities laws or applicable laws is required.

1407. Training

(1) A Dealer Member must provide training to its Approved Persons on compliance with Corporation requirements, securities laws, and applicable laws including, without limitation, the obligations relating to conflicts of interest, know-your-client, account appropriateness, product due diligence, know-your-product, and suitability determination.

1408. – 1499. Reserved.
RULE 1500 | MANAGING SIGNIFICANT AREAS OF RISK

1501. Introduction

1 As a key element of the Corporation’s regulatory framework, the Corporation expects that, for every significant area of risk within a Dealer Member, an appropriate Executive be responsible for managing such area of risk.

1502. Responsibility for significant areas of risk

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, the Corporation has assigned the responsibility to a specific Executive as set out in the Corporation 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.

**RULE 2100 | OWNERSHIP OF A DEALER MEMBER’S SECURITIES**

2101. Introduction

(1) Rule 2100 covers the issuance of securities by a Dealer Member or its holding company and changes in ownership.

(2) A Dealer Member must conduct its business with integrity and must maintain adequate financial resources. The Corporation has a responsibility to ensure that persons who have an interest in a Dealer Member are fit and proper. The Corporation also needs to assess whether the obligations incurred by a Dealer Member under the terms of securities it issues pose a risk to the Dealer Member.

2102. Definitions

(1) The following terms have the meaning set out below when used in sections 2103 through 2117:

<table>
<thead>
<tr>
<th>“industry investor”</th>
<th>Any of the following that hold a beneficial ownership interest in a Dealer Member or its holding company:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(i) a full-time officer or employee of the Dealer Member, or of a related company or affiliate of the Dealer Member, that conducts Dealer Member related activities.</td>
</tr>
<tr>
<td></td>
<td>(ii) a spouse of an individual referred to in clause (i) of this definition,</td>
</tr>
<tr>
<td></td>
<td>(iii) an investment corporation, if:</td>
</tr>
<tr>
<td></td>
<td>(a) all of the individuals referred to in clause (i) of this definition collectively hold the majority of each class of voting securities of the investment corporation, or</td>
</tr>
<tr>
<td></td>
<td>(b) all of the beneficial owners of all other equity securities of the investment corporation are:</td>
</tr>
<tr>
<td></td>
<td>(I) individuals referred to in clauses (i) or (ii) of this definition,</td>
</tr>
<tr>
<td></td>
<td>(II) children of individuals referred to in clauses (i) and (ii) of this definition,</td>
</tr>
<tr>
<td></td>
<td>(III) individuals and organizations that separately qualify as industry investors of a Dealer Member or its holding company,</td>
</tr>
<tr>
<td></td>
<td>(iv) a family trust established and maintained for the benefit of individuals referred to in clauses (i) and (ii) of this definition or their children, if:</td>
</tr>
<tr>
<td></td>
<td>(a) all of the individuals referred to in clauses (i) or (ii) this definition collectively have full direction and control of the trust, including its investment portfolio and the exercise of voting and other rights of the trust’s investments, and</td>
</tr>
<tr>
<td></td>
<td>(b) all of the trust’s beneficiaries are:</td>
</tr>
<tr>
<td></td>
<td>(I) individuals referred to in clauses (i) or (ii) of this definition,</td>
</tr>
<tr>
<td></td>
<td>(II) children of individuals referred to in clauses (i) and (ii) of this definition,</td>
</tr>
<tr>
<td></td>
<td>(III) individuals and organizations that separately qualify as industry investors of the Dealer Member or its holding company,</td>
</tr>
<tr>
<td></td>
<td>(v) a registered retirement savings plan, established under the Income Tax Act (Canada), of an individual referred to in clauses (i) or (ii) of this definition if that individual has control of its investment policy and has the only beneficial ownership interest in the registered savings plan,</td>
</tr>
</tbody>
</table>
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| Rule 2100 | (vi) the Dealer Member’s pension fund if the investment decisions relating to that pension fund are made by the individuals referred to in clause (i) of this definition, (vii) an estate of an individual referred to in clauses (i) or (ii) of this definition for one year after the death of the individual, or such longer period allowed by the Corporation, or (viii) any individual or organization, for a period of 90 days, or such longer period as the Corporation may permit, after: (a) the date the individual is no longer an employee of the Dealer Member, its related company or affiliate, in the case of an individual that previously qualified as an industry investor under clause (i) of this definition, or (b) the person through whom the individual or organization previously qualified as an industry investor is no longer an employee of the Dealer Member, its related company or affiliate, in the case of individuals and organizations that previously qualified as an industry investor under clauses (ii) through (v) of this definition. An industry investor must be approved by the board of directors of the Dealer Member or its holding company. The industry investor must also be approved by the Corporation if the industry investor has a significant equity interest in the Dealer Member or its holding company. |
| "qualified independent underwriter" | For a distribution of a Dealer Member’s securities or its holding company’s securities, it means another Dealer Member: (i) which has been in the securities business for no less than the five years immediately preceding the date that the prospectus (or other equivalent document) is filed, (ii) where, as of the distribution date, the majority of its board of directors (if a corporation) or the majority of its general partners (if a partnership), have been in the securities business for no less than the five years immediately preceding the distribution date, (iii) which has underwritten public offerings of securities for no less than the five years immediately preceding the distribution date, and (iv) which is not an associate or affiliate of the issuing entity. |
| "significant equity interest" | (i) A holding of 10% or more of the voting securities of a Dealer Member or its holding company, (ii) a holding of 10% or more of the outstanding participating securities of a Dealer Member or its holding company, or (iii) an interest of 10% or more of the total equity of the Dealer Member. |

2103. Dealer Members must have Corporation approval to issue subordinated debt

(1) A Dealer Member or its holding company must obtain the Corporation’s approval in writing before issuing a security representing subordinated debt.

(2) A Dealer Member or its holding company must obtain the Corporation’s approval in writing before signing an agreement to issue subordinated debt in the future.

2104. Repayments and additional subordinated debt

(1) A Dealer Member must obtain the Corporation’s approval in writing before it can issue any additional securities representing subordinated debt or repay any subordinated debt.
2105. Agreements with the Corporation

(1) Where the Corporation is a party to a subordinated debt agreement or other debt agreement with the Dealer Member, the Dealer Member must comply with the agreement in making any repayments of the debt subject to the agreement.

2106. Corporation notification of changes of ownership

(1) A Dealer Member must notify the Corporation in writing and file the form specified by the Corporation at least 20 days before issuing or transferring its securities or its holding company’s securities, including any legal or beneficial ownership interest in either.

(2) Subsection 2106(1) does not apply to a class of securities if:
   (i) there is public ownership of those securities as a result of a distribution made in compliance with securities laws, and
   (ii) the purchase or transfer will not result in an acquirer of the securities owning a significant equity interest.

2107. Ownership of another Dealer Member

(1) An industry investor is prohibited from purchasing the securities of a Dealer Member or its holding company, other than in the Dealer Member or holding company in which the industry investor is approved, except if:
   (i) there is public ownership of the class of securities as a result of a distribution made in compliance with securities laws and the industry investor will not hold a significant equity interest,
   (ii) the Dealer Member is a related company or an affiliate of the Dealer Member in which the industry investor was approved to invest, or
   (iii) the following apply:
       (a) the investment does not exceed 10% of any class of the issued equity or voting shares,
       (b) the industry investor notified the Corporation of the investment,
       (c) where the industry investor is regulated by another securities regulatory authority, the industry investor has provided the Corporation with evidence that the securities regulatory authority does not object to the relationship, and
       (d) the Dealer Member that the industry investor was approved to invest in does not object to the investment.

2108. Ownership of a significant equity interest and ownership of assets

(1) For the purpose of section 2108, “all or a substantial part of the assets” of a registered firm includes, among other things, a registered firm’s book of business, business line or division of the firm.

(2) A Dealer Member must file the form specified by the Corporation and obtain Corporation approval before allowing a person, alone or together with associates and affiliates, to directly or indirectly, own or hold a beneficial ownership interest in:
   (i) a significant equity interest in the Dealer Member, or
(ii) special warrants or other securities that are convertible into a *significant equity interest* in the *Dealer Member*.

(3) The written request for approval under subsection 2108(2) must be delivered to the *Corporation* at least 30 days before the proposed ownership change and must include all relevant facts regarding the ownership change sufficient to enable the *Corporation* to determine if the ownership change is:

(i) likely to give rise to a conflict of interest,
(ii) likely to hinder the *Dealer Member* in complying with *Corporation requirements or securities laws*,
(iii) inconsistent with an adequate level of investor protection, or
(iv) otherwise prejudicial to the public interest.

(4) Subsection 2108(2) does not apply to the legal representatives of a deceased person who had been approved by the *Corporation* as the owner of a *significant equity interest*. The legal representatives can continue as a registered holder or to hold a *significant equity interest* for a period as permitted by the *Corporation*.

(5) A *Dealer Member* must file a written request for approval from the *Corporation* at least 30 days before the proposed acquisition if it proposes to acquire all or a substantial part of the assets of a registered firm, or if all or a substantial part of the *Dealer Member* assets are to be acquired, and must include all relevant facts regarding the proposed acquisition sufficient to enable the *Corporation* to determine if the acquisition is:

(i) likely to give rise to a conflict of interest,
(ii) likely to hinder the *Dealer Member* in complying with *Corporation requirements or securities laws*,
(iii) inconsistent with an adequate level of investor protection, or
(iv) otherwise prejudicial to the public interest.

(6) A *Dealer Member* must not complete a proposed acquisition requiring notice under subsection 2108(5) until the *Corporation* approves the proposed acquisition.

(7) *Dealer Members* acquiring securities or assets of another registered firm for a client in nominee name do not need to provide notice under Rule 2100.

2109. A Dealer Member’s ownership of another Dealer Member

(1) A *Dealer Member* or its *holding company* must obtain approval from the *Corporation* before purchasing, directly or indirectly, any securities of another *Dealer Member* or its *holding company*. However, this does not apply if the ownership is a trading position held in the ordinary course of the securities business.

2110. Public ownership

(1) A *Dealer Member* must obtain approval from the *Corporation* before allowing public ownership of the *Dealer Member’s securities* or of its *holding company’s securities*.

(2) When the *Corporation* considers an application for approval:
(i) the Dealer Member must satisfy the Corporation that it complies with, and will continue to meet, Corporation requirements,

(ii) the Corporation may require the Dealer Member to provide a legal opinion and any other information it considers necessary, and

(iii) the Corporation may impose conditions on and require undertakings from any person it considers necessary to provide reasonable assurance of continuing compliance with Corporation requirements.

(3) Regardless of its own governing corporate statute, a Dealer Member, or holding company of a Dealer Member, that is a reporting issuer or equivalent in any Canadian jurisdiction must set up and maintain an audit committee as the Canada Business Corporations Act requires.

(4) The Corporation may exempt a Dealer Member or its holding company from subsection 2110(3).

2111. Public distribution of a Dealer Member’s securities

(1) A Dealer Member or its holding company making a public distribution of its securities must include in the prospectus, or equivalent document, summaries of at least two separate valuations of its securities, if:

(i) the Dealer Member is underwriting more than 25% of the distribution itself, or

(ii) the distribution is offered on an agency or best efforts basis.

(2) Qualified independent underwriters or chartered accountants must prepare the valuations and summaries. A qualified independent underwriter participating in the distribution may prepare a valuation.

(3) Subsection 2111(1) does not apply if securities with identical attributes have been trading on an exchange in Canada for at least six months before the new distribution begins.

2112. Take-over bids or amalgamations

(1) A Dealer Member or its holding company must obtain at least two separate valuations of its securities if they are distributed through a transaction such as a take-over bid or amalgamation resulting in a publicly traded market for the securities.

(2) Qualified independent underwriters or chartered accountants must prepare the valuations and summaries. A qualified independent underwriter participating in the distribution may prepare the valuations and summaries.

(3) Subsection 2112(1) does not apply if:

(i) securities with identical attributes have been trading on an exchange in Canada for at least six months before the transaction, or

(ii) the circumstances of the transaction, such as the terms of the transaction, were arrived at through arm’s length negotiations and the Corporation, determines that valuations are not required.
2113. Secondary distribution of securities

(1) The requirements of sections 2111 and 2112 apply, with necessary changes, to a secondary distribution of securities of a Dealer Member or its holding company if the securities are distributed from a control position.

2114. Soliciting trades in a Dealer Member’s securities

(1) A Dealer Member may solicit trades in its own securities or those of its holding company when:
   (i) making a distribution of its own securities under a prospectus in compliance with Corporation requirements and securities laws, or
   (ii) making a private placement of its own securities under securities laws.

(2) A Dealer Member must not solicit trades in its own securities or its holding company in the secondary market.

(3) A Dealer Member may accept unsolicited orders for its own securities or those of its holding company.

2115. Dealer Member’s securities in client accounts

(1) A Dealer Member may accept its own securities or those of its holding company as security for a margin account subject to Corporation requirements including, but not limited to, Schedule 9 of Form 1.

(2) A Dealer Member must not allow a discretionary account to hold the Dealer Member’s securities or those of its holding company.

2116. Research reports

(1) A Dealer Member must not issue research reports or opinion letters on its own securities or those of its holding company.

2117. Corporation approvals

(1) A Dealer Member must apply to Corporation to obtain an approval required under Rule 2100.

(2) The applicant must pay the prescribed fee.

(3) Within 10 days after any event that gives rise to a change in the information submitted pursuant to an application for approval, including any bankruptcy or criminal proceedings, the applicant and the Dealer Member or holding company involved must inform the Corporation of the change in the applicant’s information.

(4) The Corporation may refuse an application for approval or may withdraw any approval it has granted.

2118. - 2199. Reserved.
RULE 2200 | DEALER MEMBER ORGANIZATION

2201. Introduction

(1) A Dealer Member must take reasonable care to organize and manage its business responsibly and effectively. A Dealer Member’s business must be organized to enable adequate supervision of all of its activities and cannot be organized to avoid Corporation requirements.

(2) Rule 2200 is divided into the following parts:

Part A – Dealer Member Structure

Part A.1 – Business locations
[sections 2202]

Part A.2 – Holding companies, related companies and order execution only service providers
[sections 2205 through 2207]

Part A.3 – Non-securities business and shared premises
[sections 2215 and 2216]

Part B – Dealer Member Membership Changes
[sections 2220 through 2228]

Part C – Business Change Notification Requirements
[sections 2245 through 2248]

Part D – Branch Offices of Dealer Members
[sections 2265 through 2268]

Part E – Trade Names and Disclosures
[sections 2280 through 2285]

PART A – DEALER MEMBER STRUCTURE

PART A.1 - BUSINESS LOCATIONS

2202. Business locations

(1) Under sub-clause 2803(2)(i)(g), a Dealer Member must notify the Corporation of the opening or closing of a business location.

2203. – 2204. Reserved.

PART A.2 - HOLDING COMPANIES, RELATED COMPANIES AND ORDER EXECUTION ONLY SERVICE PROVIDERS

2205. Holding companies

(1) A Dealer Member must ensure that all its holding companies carrying on business in Canada are legally bound to comply with Corporation requirements applicable to holding companies.

(2) A Dealer Member’s holding company may be another Dealer Member’s holding company if:
Corporation Investment Dealer and Partially Consolidated Rules

(i) the *holding company* owns all of the voting securities and participating securities of an *Dealer Member*, or

(ii) the *Dealer Member* obtains *Corporation* approval to become the *holding company* of a second *Dealer Member*.

2206. Related companies

(1) A *Dealer Member*, or an employee, *Approved Person*, or investor of a *Dealer Member*, must obtain *Corporation* approval before it sets up, or acquires any interest in, a *related company* or *associate*.

(2) A *Dealer Member* must obtain *Corporation* approval before creating a wholly owned *subsidiary* whose principal business is a securities broker, dealer or adviser.

(3) A *Dealer Member* must be responsible for and *guarantee* its *related companies*’ obligations to clients, and each of its *related companies* must be responsible for and *guarantee* the *Dealer Member*’s obligations to its clients, as follows:

   (i) a *Dealer Member* that holds an interest in a *related company* must *guarantee* an amount equal to 100% of the *Dealer Member*’s financial statement capital,

   (ii) a *Dealer Member* that holds an interest in a *related company* must have the *related company guarantee* an amount equal to the *Dealer Member*’s percentage ownership multiplied by the *related company*’s financial statement capital, and

   (iii) where two *related companies* are related because the same *person* has an ownership interest of at least 20% in each of them, the *related companies* must *guarantee* each other for an amount equal to that *person*’s ownership percentage multiplied by the company’s financial statement capital.

(4) A *Dealer Member*, and each of the *Dealer Member*’s *related companies* that are required to *guarantee* an amount under subsection 2206(3), must sign the current *Corporation guarantee* form.

(5) The *Board* may exempt a *Dealer Member* from subsection 2206(3), or may decide that a *guarantee* for a greater amount is required.

2207. Approval as an order execution only account services provider

(1) The *Corporation* may approve a *Dealer Member* or a business unit of a *Dealer Member* to be an *order execution only account* service provider if the *Dealer Member*’s only business is an *order execution only account* service provider or it provides that service in a separate business unit.

(2) A *Dealer Member* that is offering *order execution only account* services must comply with all *Corporation requirements* other than those for which compliance is specifically exempted.

(3) A *Dealer Member*’s policies and procedures must specifically address the operation of its *order execution only account* services.

(4) If operating as a separate business unit within a *Dealer Member*, an *order execution only account* services provider must have separate letterhead, accounts and account documentation, and its *Registered Representatives* and *Investment Representatives* may not work for any other business unit within the *Dealer Member*. 
(5) A Dealer Member must not compensate employees by giving them trade commissions for transactions executed in order execution only accounts.

2208. – 2214. Reserved.

PART A.3 - NON-SECURITIES BUSINESS AND SHARED PREMISES

2215. Business other than securities

(1) A Dealer Member must obtain Corporation approval before carrying on any business other than Dealer Member related activities.

(2) A Dealer Member or a Dealer Member’s holding company may, without Corporation approval, own an interest in a corporation (other than the Dealer Member) that carries on non-securities business if:
   (i) the Dealer Member is not responsible for any of that corporation’s liabilities, and
   (ii) the Dealer Member and its holding company give the Corporation notice before acquiring an interest in the non-securities corporation.

2216. Shared office premises

(1) For the purposes of section 2216, a “financial services entity” means an entity regulated by a securities regulatory authority or by another Canadian financial services regulatory regime such as banking, mutual funds, insurance, deposit-taking, or mortgage brokerage activities.

(2) A Dealer Member may share premises with another financial services entity, whether or not they are related companies or affiliate companies, in accordance with section 2216. This section applies to Dealer Members dealing with retail clients.

(3) A Dealer Member must ensure that clients clearly understand which legal entity they are dealing with.

(4) A Dealer Member’s policies and procedures must specifically address:
   (i) supervision of shared office premises,
   (ii) representative compliance with Corporation requirements, and
   (iii) that clients clearly understand which entity they are dealing with.

(5) A Dealer Member must have:
   (i) adequate supervisory resources to carry out its supervisory procedures,
   (ii) a system for communicating Corporation requirements to representatives at the shared office premises, and
   (iii) a process that provides reasonable assurance representatives understand and comply with Corporation requirements.

(6) A Dealer Member’s shared office premises must be laid out and operated in a manner that ensures the control and confidentiality of client information and client records by ensuring that client records and account process areas are effectively controlled and physically secure.

(7) A Dealer Member must have appropriate signs and disclosure which differentiates the entities sharing the premises.
(8) The legal names under which the Dealer Member and each of the other financial services entities operate must be clearly displayed in a prominent location, such as the office entrance door or reception area.

(9) The logo and brochures required to be used by the investor protection fund in which they are a member must be displayed in a manner that makes it clear that the logo and brochures are applicable only to the Dealer Member and not to any other financial services entity.

(10) When doing business in shared office premises, a Dealer Member must comply with Part E of Rule 2200.

(11) A Dealer Member must keep client records separate from the records of another financial services entity as follows:
   (i) the financial services entity must not have access to the client’s hard copy records, and
   (ii) electronic records must have separate passwords or another similar control to ensure the financial services entity has no access to the electronic client records of the Dealer Member.

(12) When a Dealer Member, operating in a shared office premises opens an account, the Dealer Member must obtain the client’s specific acknowledgement of a written disclosure statement:
   (i) outlining the relationship between the Dealer Member and the financial services entity sharing the premises, and
   (ii) stating that the entities are separate.

(13) A Dealer Member must keep client information confidential and can only share the information with other financial services entities in the shared office premises if:
   (i) the client has consented to the disclosure of confidential information in compliance with applicable federal, provincial, and territorial privacy legislation and regulations, and
   (ii) the client has consented to the disclosure of client information through a specific confirmation such as a signature or initials at a designated place. A Dealer Member must not obtain a client’s consent through a negative consent option.

(14) An employee who works for both the Dealer Member and another financial services entity must not disclose client information from one organization to the other unless performing a relevant service that the client has specifically consented to and the client has consented to the disclosure of the client information.

(15) Non-registered personnel employed by the Dealer Member or representatives of the financial services entity may not provide the following services on behalf of the Dealer Member:
   (i) opening accounts,
   (ii) distributing or receiving order forms for securities transactions,
   (iii) assisting clients to complete order forms for securities transactions,
   (iv) giving recommendations or any advice on any activity,
   (v) completing know-your-client information on an account application, other than biographical information, and
   (vi) soliciting securities transactions.

(16) Non-registered personnel employed by the Dealer Member or representatives of the financial services entity may provide the following services on behalf of the Dealer Member:
(i) advertising the Dealer Member’s services and products,
(ii) delivering or receiving clients’ securities,
(iii) arranging client appointments or informing of deficiencies on completed forms,
(iv) providing the status, balances, and holdings of client accounts,
(v) providing quotes and other market information,
(vi) contacting the public, inviting the public to seminars, and forwarding non-securities information,
(vii) distributing account applications, subject to subsection 2216(17), and
(viii) receiving completed account applications to forward to the Dealer Member for approval.

(17) At the shared office premises, a manager, assistant manager or credit officer of the financial services entity who has a high degree of knowledge about the client’s financial affairs may help the client to complete the account application, if:
(i) no Approved Person is available,
(ii) the client’s Registered Representative, Portfolio Manager or Associate Portfolio Manager complies with Corporation requirements relating to know-your-client and suitability determination by reviewing the account application with the client before any trade is conducted or a recommendation is made to a client, and
(iii) a Supervisor has approved the account application before any trade is conducted for a client.

(18) A mutual fund sales person may only accept orders for accounts at the dealer which they are registered with and may not:
(i) offer, or advise clients on, equities or other transactions for which specific proficiency is required, or
(ii) communicate those client orders to a qualified person.

2217. – 2219. Reserved.

PART B - DEALER MEMBER MEMBERSHIP CHANGES

2220. Introduction

(1) Part B of Rule 2200 sets out how the Corporation deals with changes to the Membership of Dealer Members.

2221. Notice of intention to resign

(1) If a Dealer Member intends to resign, it must notify the Corporation in writing of its intention by filing a letter of resignation. The Corporation will issue a Notice advising of the Dealer Member’s intention to resign within one week of receiving a Dealer Member’s intent to resign.

2222. Letter of resignation and supporting documents

(1) A resigning Dealer Member must state its reasons for resigning in its resignation letter and file the following supporting documents with the Corporation:
(i) audited financial statements indicating the Dealer Member has liquid assets sufficient to meet its outstanding liabilities other than subordinated loans, and
(ii) a report from the Dealer Member’s auditor indicating that all client accounts and assets have been transferred to another Dealer Member or returned to the clients.

2223. Acquisition and resignation

(1) If all or a substantial part of the business and assets of a resigning Dealer Member is acquired by another Dealer Member, the resigning Dealer Member must provide the Corporation with:
   (i) either, an undertaking from the acquiring Dealer Member accepting responsibility for all outstanding liabilities of the resigning Dealer Member, or the documents required under section 2222, and
   (ii) pro forma financial statements of the acquiring Dealer Member showing compliance with Corporation requirements relating to capital requirements.

2224. Amalgamation of Dealer Members

(1) If two or more Dealer Members are amalgamated, the Dealer Members not continuing due to the amalgamation must surrender their membership. The continuing Dealer Member must provide the Corporation with:
   (i) an undertaking that it accepts responsibility for all liabilities of the Dealer Members that are amalgamating, and
   (ii) pro forma financial statements of the continuing Dealer Member showing compliance with Corporation requirements relating to capital requirements.

2225. Amalgamation with a non-Dealer Member

(1) A Dealer Member may amalgamate with a non-Dealer Member if the continuing Dealer Member provides the Corporation with:
   (i) information, satisfactory to the Corporation, confirming that the continuing Dealer Member will have policies and procedures sufficient to carry on its business and comply with Corporation requirements, and
   (ii) pro forma financial statements of the continuing Dealer Member showing compliance with Corporation requirements relating to capital requirements.

2226. Effective date of resignation

(1) Resignation of a Dealer Member is effective on the date following the day on which the following conditions have all been satisfied:
   (i) the Corporation has received the documents required to support the resignation,
   (ii) the Corporation has received payment of any amount owed to it,
   (iii) the Corporation has confirmed that no complaints or disciplinary actions are outstanding that the Corporation, in its sole discretion, determines must be resolved prior to permitting the Dealer Member to resign, and
   (iv) the Board has approved the Dealer Member’s resignation.

(2) Notwithstanding the above, and without limiting the discretion that the Board may have to exempt a Dealer Member from any Corporation requirement, where circumstances warrant, the Board may exercise discretion to postpone the effective date of a Dealer Member’s resignation.
(3) The Corporation will issue a notice within one week of the effective date of a Dealer Member’s resignation advising of the effective date of the Dealer Member’s resignation.

2227. Payment of Corporation fees

(1) A resigning, suspended, terminated or surrendering Dealer Member must make full payment of its annual membership fees for the entire fiscal year in which its resignation, suspension, termination or surrender becomes effective, subject to the exception set out in subsection 2227(2).

(2) A resigning, suspended or terminated Dealer Member may make payment of its membership fees until the end of the fiscal quarter in which the following conditions have been met:
   (i) the Dealer Member has transferred all customer accounts to another Dealer Member,
   (ii) the Dealer Member has no remaining Approved Persons other than shareholders, the Ultimate Designated Person, the Chief Compliance Officer and the Chief Financial Officer, and
   (iii) in the case of a resigning Dealer Member, the Dealer Member has provided written notice of its resignation to the Corporation.

2228. Inactive Dealer Members

(1) A Dealer Member may apply to the Board to have its membership status temporarily changed to inactive. Dealer Members must file their applications in writing and must include reasons for the requested change.

(2) The Board must impose a time limit and may impose conditions on a Dealer Member’s inactive status.

(3) When a Dealer Member’s status changes to inactive, the Corporation must publish a notice indicating so.

(4) A Dealer Member with inactive status may apply in writing to the Board for an extension to the time period of its inactive status if:
   (i) the written application is made at least 30 days before the Dealer Member’s inactive status expires, and
   (ii) the inactive status period has not been extended previously.

(5) When a Dealer Member’s inactive status or the extension to the period of time established by the Board for inactive status expires, the Dealer Member’s status will automatically revert to that of a Dealer Member.

2229. – 2244. Reserved.

PART C - BUSINESS CHANGE NOTIFICATION REQUIREMENTS

2245. Introduction

(1) The Corporation may review the changes in a Dealer Member’s business, listed in section 2246, to ensure they meet Corporation requirements.

2246. Dealer Member’s notice of changes to the Corporation

(1) A Dealer Member must notify the Corporation in writing a minimum of 20 days before:
(i) changing its name,
(ii) changing its constitution in a way that affects voting rights,
(iii) taking any steps to dissolve, wind up, surrender its charter, liquidate or dispose of all or substantially all its assets, or
(iv) altering its capital structure including, allotting, issuing, repurchasing, redeeming, canceling, subdividing or consolidating of any shares in its capital.

(2) A Dealer Member must notify the Corporation in writing before any material change to its business activities.

2247. Notice of review

(1) A Dealer Member must not make any of the changes listed in section 2246 if, within the 20 day notice period, the Corporation informs the Dealer Member that it will be reviewing the proposed change and the change will require Corporation approval.

2248. – 2264. Reserved.

PART D - BRANCH OFFICES OF DEALER MEMBERS

2265. Introduction

(1) Part D of Rule 2200 describes how Dealer Members’ branch offices participate in the Corporation and its Regions.

2266. Branch office members

(1) Every Dealer Member’s business location in a Region with a Supervisor, who is normally present at the business location, is a branch office member of the Region.

2267. Branch office member’s representation

(1) A branch office member may participate in governing the Region in which the branch office is located, as follows:
   (i) it has the same privileges in its Region as any other branch office member, except that at a Region meeting, a Dealer Member only has one vote in the Region, no matter how many branch office members it has, and
   (ii) its Region representative is eligible for election as chair, vice-chair or member of the Regional Council for that Region.

2268. Fees

(1) A Dealer Member does not have to pay an annual fee or entrance fee for its branch office members.

2269. – 2279. Reserved.

PART E - TRADE NAMES AND DISCLOSURES

2280. Introduction

(1) Part E of Rule 2200 covers a Dealer Member’s use of trade names, Corporation membership disclosure and Investor Protection Fund membership disclosure.
2281. Trade names

(1) If a Dealer Member carries on business under a trade name, the trade name must be owned by the Dealer Member, an Approved Person of the Dealer Member or an affiliate of the Dealer Member.

(2) An Approved Person must not conduct any business under a trade name that is not owned by the Dealer Member or its affiliate without the Dealer Member’s prior consent.

(3) A Dealer Member or Approved Person must not use a trade name that any other Dealer Member uses unless:
   (i) the Dealer Members are related companies or affiliate companies, or
   (ii) the relationship with the other Dealer Member is that of introducing broker and carrying broker.

(4) A Dealer Member or Approved Person must not use a deceptive or misleading trade name.

2282. Corporation notification

(1) A Dealer Member must notify the Corporation before it:
   (i) uses any trade name other than the Dealer Member’s legal name, or
   (ii) transfers a trade name to another Dealer Member.

(2) The Corporation may prohibit a Dealer Member or Approved Person from using a trade name that is:
   (i) contrary to sections 2281, 2282 or 2283,
   (ii) contrary to the public interest, or
   (iii) otherwise objectionable.

2283. Displaying the full legal name

(1) A Dealer Member must include its full legal name on all contracts and materials used to communicate with the public, whether or not it uses a trade name.

(2) An Approved Person that uses a trade name different from that of the Dealer Member on materials used to communicate with the public must also include the Dealer Member’s full legal name in size at least equal to that of the Approved Persons’ trade name.

(3) Materials used to communicate with the public include, but are not limited to the following: letterhead, business cards, invoices, trade confirmations, monthly statements, websites, research reports and advertisements.

2284. Investor protection fund membership disclosure requirements for Dealer Members

(1) A Dealer Member must disclose to its clients:
   (i) that it is a member of an investor protection fund,
   (ii) the name of the investor protection fund, and
   (iii) the investor protection fund coverage available for eligible accounts, in accordance with the IPF Disclosure Policy.
2285. Corporation membership disclosure requirements for Dealer Members

(1) A Dealer Member must disclose to its clients:
   (i) that it is regulated, and
   (ii) the name of its regulator,
   in accordance with the Corporation Membership Disclosure Policy.

2286. –2299. Reserved.
2301. Introduction
(1) Rule 2300 describes the requirements of relationships between Dealer Members and their agents.

2302. Principal and agent relationships
(1) An individual who conducts securities related business on behalf of a Dealer Member must be an employee (which includes an agent) of the Dealer Member.
(2) A Dealer Member must not allow a corporation or other non-individual entity to conduct securities related business on its behalf.

2303. Written agreement between the Dealer Member and the Corporation
(1) Before engaging any agents to conduct securities related business, a Dealer Member must enter into a written agreement with the Corporation.
(2) The written agreement must contain terms describing the Dealer Member’s responsibility:
   (i) for the agent’s conduct, including the agent’s compliance with Corporation requirements and securities laws, and
   (ii) to clients for the agent’s acts and omissions relating to the Dealer Member’s business.
(3) The Corporation must be satisfied with the form of the written agreement.
(4) The written agreement must be in a form similar to the following:

   “Agreement between a Dealer Member and the Corporation
   1. Recitals
      (i) As a Dealer Member of [Name of Corporation], the Dealer Member agrees it is subject to Corporation requirements.
      (ii) Section 2303 of the Corporation Investment Dealer and Partially Consolidated Rules, “Written agreement between the Dealer Member and the Corporation”, requires the Dealer Member to make this agreement with the Corporation.
      (iii) This agreement is in addition to and does not alter Corporation requirements or any other agreement between the Dealer Member and the Corporation.
   2. Agreement with the Agent
      (i) The Dealer Member must enter into a written agreement with each of its agents as required by section 2304 of the Corporation Investment Dealer and Partially Consolidated Rules, “Written agreement between the Dealer Member and its agents”, and any successor rules relating to principal and agent relationships.
      (ii) The agreement must require that the agent complies with all applicable laws and Corporation requirements.
   3. Supervision of the Agent
      The Dealer Member must treat each of its agents as employees with respect to:
      (i) administration of Corporation requirements,
      (ii) supervision of the agent under Corporation requirements, and
(iii) ensuring its agents comply with all applicable laws and Corporation requirements.

4. **Written Disclosure of Respective Responsibilities to Clients**
   
   The Dealer Member or the agent must disclose to clients at the time of opening an account:
   
   (i) the list of securities related business activities conducted by the agent for which the Dealer Member is responsible, and
   
   (ii) that the Dealer Member is not responsible for any other business activity conducted by the agent.

5. **Disclosure to Clients**
   
   The disclosure to clients must be made using the following language in the account application:
   
   “If your investment advisor is an agent of [the Dealer Member name], [Dealer Member name] is irrevocably liable to you for any acts and omissions of your investment advisor with regard to [Dealer Member name] business as if the investment advisor were an employee of [Dealer Member name]. By continuing to deal with our firm, you accept our offer of indemnity.”

6. **Disclosure by Agent**
   
   Where the disclosure described in 4(i) and (ii) is made by the agent, the Dealer Member must ensure that the agent has made the disclosure directly to the clients.

7. **Regulatory Authority of the Corporation**
   
   The Dealer Member acknowledges that the Corporation has the authority to regulate and enforce the provisions set out in the Dealer Member and agent agreement.

8. **Governing Laws**
   
   This agreement is governed by the laws of [applicable province] and the laws of Canada.

9. **Continuing Benefit**
   
   The agreement is for the benefit of and binding upon the parties and their successors and assigns. The Dealer Member may not assign the agreement without the Corporation’s prior written consent.

   DATED as of the __________ day of ______________, ______

   [DEALER MEMBER]

   [NAME AND TITLE OF SIGNING INDIVIDUAL]  

   "2304. **Written agreement between the Dealer Member and its agents**

   (1) The Dealer Member and the agent who conducts securities related business must enter into a written agreement.

   (2) The written agreement must not contain any terms inconsistent with Corporation requirements or securities laws."
(3) The Corporation must be satisfied with the form of the written agreement before the Dealer Member finalizes the agreement with the agent.

(4) The Dealer Member must certify to the Corporation that the written agreement complies with Rule 2300 and any other applicable Corporation requirements.

(5) The Corporation may request that the Dealer Member obtain a legal opinion confirming subsection 2304(4).

(6) The Corporation must be satisfied that the written agreement complies with applicable laws relating to tax matters.

(7) The written agreement must contain the following minimum terms:

(i) Compliance with the applicable laws

The agent and the Dealer Member confirm that this agreement does not violate applicable laws.

(ii) Confirmation of supremacy of Corporation requirements

The agent and the Dealer Member confirm that:

(a) this agreement is made in compliance with Corporation requirements,
(b) if there is an inconsistency between this agreement and any applicable Corporation requirements, the Corporation requirements will prevail,
(c) any inconsistent terms will be deemed severed and deleted,
(d) The Corporation has the authority to regulate and enforce the provisions set out in this agreement, and
(e) this agreement will be interpreted and enforced to give full effect to any applicable Corporation requirements.

(iii) Compliance by the agent with applicable laws, securities laws, and Corporation requirements

(a) The agent warrants to the Dealer Member that it is appropriately registered or licensed, in good standing and in compliance with all applicable laws, securities laws and Corporation requirements.
(b) The agent covenants to comply with all applicable laws, securities laws and Corporation requirements.
(c) The agent agrees to be bound by and comply with the warranties and covenants above throughout the term of the agreement.

(iv) Conduct of the agent’s business

(a) The agent agrees to conduct all business in the Dealer Member’s name, subject to sections 2281 through 2283 relating to the use of trade names.
(b) The agent agrees to conduct all securities related business activities through the Dealer Member.

(v) Supervision of the agent by the Dealer Member

The Dealer Member agrees to be:
Corporation Investment Dealer and Partially Consolidated Rules

(a) responsible for the supervision of the agent’s conduct to provide reasonable assurance of the agent’s compliance with Corporation requirements and the requirements of any other securities regulatory authority to which the Dealer Member is subject, and

(b) liable to clients (and other third parties) for the agent’s conduct as if they were an employee.

(vi) **Written disclosure to clients**
If the Dealer Member and the agent have agreed that the agent will advise the clients directly:

(a) the list of securities related business activities conducted by the agent for which the Dealer Member is responsible, and

(b) that the Dealer Member is not responsible for any other business activity conducted by the agent,

the Dealer Member agrees to be responsible for ensuring that the agent has done so.

(vii) **Dealer Member assumes responsibility for clients**

(a) In the event that:

(I) the Corporation or another securities regulatory authority has advised the Dealer Member that it has started an investigation relating to allegations of misconduct by the agent, or

(II) the Dealer Member has reasonable grounds to believe that the agent has contravened or may be contravening one or more Corporation requirements or securities laws,

the Dealer Member may immediately and without notice to the agent, assume responsibility for the client to the exclusion of the agent.

(b) The agent may not have any dealings or communications with the client as long as the Dealer Member has assumed this responsibility.

(c) The Dealer Member may designate another qualified person to provide services to the client, and that person may receive any remuneration that would have been paid to the agent.

(viii) **Outside activities**

(a) The agent agrees not to conduct any outside activity without disclosing to and obtaining the written consent of the Dealer Member.

(b) If the agent is involved in an outside activity, the Dealer Member agrees to monitor and enforce compliance with the terms of this agreement directly and not through another employer or principal of the agent.

(c) The agent agrees to ensure that the outside activity will not interfere with the Dealer Member or the Corporation monitoring and enforcing compliance by the agent with this agreement or Corporation requirements.
(ix) **Access to premises**

The *agent* agrees to give the *Dealer Member* unrestricted access to the premises where the *agent* conducts *securities related business* on the *Dealer Member’s* behalf.

(x) **Records**

The *agent* agrees that the books and *records* kept by the *agent* for the *Dealer Member’s* business:

(a) will conform to *Corporation requirements*,
(b) are the *Dealer Member’s* property,
(c) are available at all times for review by and delivery to the *Dealer Member*, and
(d) shall be delivered to the *Dealer Member* on termination of the agreement.

(xi) **Insurance**

The *Dealer Member* agrees to maintain financial institution bond and insurance policies that cover the *agent’s* conduct relating to the *securities related business* activities they conduct for the *Dealer Member*.

(xii) **Assignment of agreement**

The *agent* acknowledges that the *Dealer Member* has the right to assign to the *Corporation* any or all of the *Dealer Member’s* rights to enforce the terms of this agreement that relate to *Corporation requirements*.

2305. –2399. Reserved.
2401. Introduction

(1) In order to manage back office expenses, Dealer Members may enter into arrangements that involve back office service sharing with another organization. Services shared may include any combination of: trade execution, trade clearing and settlement, trade financing, trade related cash and security custody and trade related books and records. In some cases, before an arrangement can commence, the parties must agree to specific Corporation arrangement conditions, including obtaining Corporation approval of the arrangement.

(2) Sections 2401 through 2480 sets out the specific Corporation requirements for a number of arrangements that a Dealer Member may enter into and is organized as follows:

Part A – Requirements for acceptable arrangements between two Dealer Members including:

Part A.1 – General requirements [sections 2403 through 2407]

Part A.2 – Specific requirements for Type 1 introducing broker / carrying broker arrangements [section 2410]

Part A.3 – Specific requirements for Type 2 introducing broker / carrying broker arrangements [section 2415]

Part A.4 – Specific requirements for Type 3 introducing broker / carrying broker arrangements [section 2420]

Part A.5 – Specific requirements for Type 4 introducing broker / carrying broker arrangements [section 2425]

Part B – Requirements for acceptable arrangements between a Dealer Member and a Mutual Fund Dealer Member [sections 2430 and 2431]

Part C – Requirements for acceptable arrangement between a Dealer Member and a foreign affiliate dealer [sections 2435 and 2436]

Part D – Permitted arrangements that are not considered to be introducing broker / carrying broker arrangements [sections 2460 and 2461]

Part E – Prohibited arrangements [section 2480]
2402. Definitions

(1) The following terms have the meaning set out below when used in sections 2402 through 2480:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
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<tbody>
<tr>
<td>“clearing arrangement”</td>
<td>An arrangement entered into between two dealers under which all of the following services are provided by one dealer (“clearing broker”) to the other dealer for one or more lines of business:</td>
</tr>
<tr>
<td></td>
<td>(i) trade execution,</td>
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<td></td>
<td>(ii) trade settlement, and</td>
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<tr>
<td></td>
<td>(iii) client account bookkeeping. Trade financing or account financing, custody of client cash and custody of client security positions services must not be provided as part of this arrangement.</td>
</tr>
<tr>
<td>“introducing broker / carrying broker arrangement”</td>
<td>An arrangement entered into between two dealers under which all of the following services are provided by one dealer, the carrying broker, to the other dealer, the introducing broker, for one or more lines of business:</td>
</tr>
<tr>
<td></td>
<td>(i) trade settlement,</td>
</tr>
<tr>
<td></td>
<td>(ii) custody of client cash,</td>
</tr>
<tr>
<td></td>
<td>(iii) custody of client security positions, and</td>
</tr>
<tr>
<td></td>
<td>(iv) client account bookkeeping. Trade execution and trade financing or account financing services may or may not be provided as part of this arrangement.</td>
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</table>

PART A - ARRANGEMENTS BETWEEN TWO DEALER MEMBERS – GENERAL REQUIREMENTS

PART A.1 - GENERAL REQUIREMENTS

2403. Arrangements that may be executed

(1) A Dealer Member that wants to become an introducing broker may enter into one of the following introducing broker / carrying broker arrangements with another Dealer Member:

   (i) a Type 1 or 2 introducing broker/carrying broker arrangement for all of its Dealer Member related activities,  
   (ii) a Type 1 or 2 introducing broker/carrying broker arrangement for all of its Dealer Member related activities other than trading in futures contracts and futures contract options, or  
   (iii) a Type 3 or 4 introducing broker/carrying broker arrangement for one or more of its Dealer Member related activities business lines.

2404. Additional conditions that apply to an introducing broker under a Type 1 introducing broker/carrying broker arrangement

(1) A Dealer Member that is an introducing broker under a Type 1 introducing broker/carrying broker arrangement with another Dealer Member:

   (i) must not enter into any additional introducing broker / carrying broker arrangements with another Dealer Member unless the arrangement is a Type 1 introducing broker/carrying broker arrangement or Type 2 introducing broker/carrying broker arrangement that provides back office services exclusive to trading in futures contracts and futures contract options,
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(ii) must not self-clear any part of its Dealer Member related activities other than self-clearing trading in futures contracts and futures contracts options, and

(iii) must use its carrying broker’s facilities for its principal trading, settlement, and securities custody.

2405. Additional conditions that apply to an introducing broker under a Type 2 introducing broker/carrying broker arrangement

(1) A Dealer Member that is an introducing broker under a Type 2 introducing broker/carrying broker arrangement with another Dealer Member:

(i) must not enter into any additional introducing broker / carrying broker arrangements with another Dealer Member unless the arrangement is a Type 1 introducing broker/carrying broker arrangement or Type 2 introducing broker/carrying broker arrangement that provides back office services exclusive to trading in futures contracts and futures contract options,

(ii) must not self-clear any part of its Dealer Member related activities other than self-clearing trading in futures contracts and futures contracts options, and

(iii) may use brokers other than its carrying broker for its principal trading, settlement, and securities custody.

2406. Additional conditions that apply to an introducing broker under either a Type 3 introducing broker/carrying broker arrangement or a Type 4 introducing broker/carrying broker arrangement

(1) A Dealer Member that is an introducing broker under a Type 3 introducing broker/carrying broker arrangement or Type 4 introducing broker/carrying broker arrangement with another Dealer Member:

(i) must not enter into any Type 1 or Type 2 introducing broker/carrying broker arrangements for one or more of its remaining Dealer Member related activities business lines,

(ii) may, where a business case can be made, enter into additional Type 3 introducing broker/carrying broker arrangement or Type 4 introducing broker/carrying broker arrangements for one or more of its remaining Dealer Member related activities business lines,

(iii) may self-clear one or more of its remaining Dealer Member related activities business lines, and

(iv) may use brokers other than its carrying broker for its principal trading, settlement, and securities custody.

2407. Requirement for an agreement

(1) A Dealer Member that is an introducing broker may enter into an arrangement permitted within sections 2403 through 2406 with another Dealer Member if both parties enter into a written introducing broker / carrying broker agreement:

(i) in a form acceptable to the Corporation,

(ii) that specifies the type of arrangement being entered into as a Type 1, Type 2, Type 3 or Type 4 introducing broker/carrying broker arrangement,
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(iii) whose terms comply with the requirements of sections 2401 through 2480 that apply to the type of arrangement being entered into, and
(iv) which is approved by the Corporation in advance of it coming into effect.

2408. – 2409. Reserved.

PART A.2 - SPECIFIC REQUIREMENTS FOR TYPE 1 INTRODUCING BROKER / CARRYING BROKER ARRANGEMENTS

2410. Type 1 introducing broker/carrying broker arrangement – requirements

The parties to a Type 1 introducing broker / carrying broker arrangement between two Dealer Members must comply with the following requirements:

(1) Minimum capital requirement
   (i) The introducing broker must maintain at all times minimum capital of $75,000 for the purposes of calculating risk adjusted capital.

(2) Margin requirements to be provided by the introducing broker
   (i) The introducing broker must maintain the required margin for principal business it introduces to the carrying broker.

(3) Margin requirements to be provided by the carrying broker
   (i) The carrying broker must maintain the required margin:
      (a) for client business it carries for the introducing broker, and
      (b) for any settlement date equity deficiency amounts relating to the principal business it carries for the introducing broker in accordance with the margin requirements for an account with another regulated entity, as set out in Note 4 of the Notes and Instructions to Schedule 5 of Form 1.

(4) Offsets of carrying broker margin requirements against deposits
   (i) The carrying broker may reduce any margin it is required to provide under subsection 2410(3) by the least of the following amounts:
      (a) the margin requirement,
      (b) the loan value of any introducing broker deposits held by the carrying broker, and
      (c) the introducing broker’s excess risk adjusted capital.
   Where a reduction is taken, the carrying broker must promptly notify the introducing broker.

(5) Reporting client balances
   (i) When calculating risk adjusted capital, the carrying broker must report on Statement A and Schedule 4 of Form 1 and the Monthly Financial Report all client accounts introduced by the introducing broker. The introducing broker must not report these accounts.

(6) Net client balances / funding
   (i) The carrying broker must meet financing requirements for client accounts introduced by the introducing broker.

(7) Deposits provided to the carrying broker by the introducing broker
   (i) The carrying broker must:
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(a) segregate security deposits provided by the introducing broker,
(b) hold cash deposits in a separate bank account in trust for the introducing broker, and
(c) report all deposits it receives from the introducing broker as a liability on its Form 1 and Monthly Financial Report.

(ii) The introducing broker must:
(a) report as a non-allowable asset on the introducing broker’s Form 1 and Monthly Financial Report:
   (I) any portion of a deposit that a carrying broker has used to offset its margin requirements under subsection 2410(4), and
   (II) any portion of a deposit that is impaired in value because the carrying broker carries client accounts with unsecured debit balances,

and,
(b) report as an allowable asset on the introducing broker’s Form 1 and Monthly Financial Report any remaining deposits not classified as a non-allowable asset under subclause 2410(7)(ii)(a).

(8) Concentration calculations
(i) When completing the concentration calculations in Schedules 9 and 12 of Form 1, the carrying broker must include, and the introducing broker must not include, all client positions the carrying broker maintains for the introducing broker.

(9) Segregating client securities
(i) The carrying broker must segregate securities for clients introduced by the introducing broker in accordance with Corporation requirements relating to segregation.

(10) Free credit segregation
(i) The carrying broker must segregate free credits for client accounts introduced by the introducing broker in accordance with Corporation requirements including, but not limited to, Statement D of Form 1.

(11) Insurance coverage requirements of the introducing broker
(i) The introducing broker must:
   (a) include all accounts introduced to the carrying broker:
      (I) when calculating client net equity for the purposes of determining minimum Financial Institution Bond insurance coverage levels under section 4458, and
      (II) when determining adequate insurance coverage levels for registered mail under section 4455,
   (b) maintain Financial Institution Bond insurance coverage for the types of losses specified under section 4456 and in the amounts that meet the minimum coverage levels specified in section 4458, and
   (c) maintain adequate insurance for registered mail specified under section 4455.

(12) Insurance coverage requirements of the carrying broker
(i) The carrying broker must:
   (a) include all accounts it carries for the introducing broker:
(I) when calculating client net equity for the purposes of determining minimum Financial Institution Bond insurance coverage levels under section 4458, and

(II) when determining adequate insurance coverage levels for registered mail under section 4455,

(b) maintain Financial Institution Bond insurance coverage for the types of losses specified under section 4456 and in the amounts that meet the minimum coverage levels specified in section 4457, and

(c) maintain adequate insurance for registered mail specified under section 4455.

(13) Client account opening required disclosure

(i) At the time of opening a client account, the introducing broker must:

(a) advise the client of:

(I) its relationship to the carrying broker, and

(II) the client’s relationship to the carrying broker,

and

(b) obtain from the client a Corporation approved form acknowledging it has provided the client with the disclosure required by sub-clause 2410(13)(i)(a).

(14) Parties to margin and guarantee documents

(i) The introducing broker and the carrying broker must both be parties to any margin agreements and guarantee documents.

(15) Disclosure on contracts, statements and correspondence

(i) To ensure ongoing disclosure of the introducing broker / carrying broker relationship to clients, the introducing broker and carrying broker must both show their names and roles on all client account contracts, statements, correspondence and other documents. Because of this ongoing disclosure, annual disclosure of the introducing broker / carrying broker relationship is not required.

(16) Clients introduced to the carrying broker

(i) A client introduced to the carrying broker by the introducing broker must be considered a client of both the introducing broker and the carrying broker for the purposes of compliance with Corporation requirements.

(17) Compliance with non-financial requirements

(i) The introducing broker and the carrying broker are jointly and severally responsible for compliance with all non-financial Corporation requirements for each account the introducing broker introduces to the carrying broker unless stated otherwise in this section.

(18) Handling client cash

(i) The introducing broker must not accept or handle client funds in the form of money.

(ii) With the carrying broker’s advance approval, the introducing broker may accept a cheque in the carrying broker’s name from a client whose account is carried by the carrying broker and:

(a) deliver it to the carrying broker on the day it is received by the introducing broker or the next business day, or
(b) arrange for the carrying broker to pick it up on the day it is received by the introducing broker or the next business day.

(iii) A client may send a cheque directly to the carrying broker.

(19) Reporting of introducing broker principal positions

(i) The introducing broker must report all its principal positions carried by a carrying broker as inventory on its Form 1 and Monthly Financial Report.

(ii) The carrying broker must report the balance of the principal trading account the introducing broker has with the carrying broker on its Form 1 and Monthly Financial Report.

2411. – 2414. Reserved.

PART A.3 - SPECIFIC REQUIREMENTS FOR TYPE 2 INTRODUCING BROKER / CARRYING BROKER ARRANGEMENTS

2415. Type 2 introducing broker/carrying broker arrangement – requirements

The parties to a Type 2 introducing broker / carrying broker arrangement between two Dealer Members must comply with the following requirements:

(1) Minimum capital requirement

(i) The introducing broker must maintain at all times minimum capital of $250,000 for the purposes of calculating risk adjusted capital.

(2) Margin requirements to be provided by the introducing broker

(i) The introducing broker must maintain the required margin for principal business it introduces to the carrying broker.

(3) Margin requirements to be provided by the carrying broker

(i) The carrying broker must maintain the required margin:

(a) for client business it carries for the introducing broker, and

(b) for any settlement date equity deficiency amounts relating to the principal business it carries for the introducing broker in accordance with the margin requirements for an account with another regulated entity, as set out in Note 4 of the Notes and Instructions to Schedule 5 of Form 1.

(4) Offsets of carrying broker margin requirements against deposits

(i) The carrying broker may reduce any margin it is required to provide under subsection 2415(3) by the least of the following amounts:

(a) the margin requirement,

(b) the loan value of any introducing broker deposits held by the carrying broker, and

(c) the introducing broker’s excess risk adjusted capital.

Where a reduction is taken, the carrying broker must promptly notify the introducing broker.

(5) Reporting client balances

(i) When calculating risk adjusted capital, the carrying broker must report on Statement A and Schedule 4 of Form 1 and the Monthly Financial Report all client accounts introduced by the introducing broker. The introducing broker must not report these accounts.
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(6) Net client balances / funding
   (i) The carrying broker must meet financing requirements for client accounts introduced by the introducing broker.

(7) Deposits provided to the carrying broker by the introducing broker
   (i) The carrying broker must:
       (a) segregate security deposits provided by the introducing broker,
       (b) hold cash deposits in a separate bank account in trust for the introducing broker, and
       (c) report all deposits it receives from the introducing broker as a liability on its Form 1 and Monthly Financial Report.

   (ii) The introducing broker must:
       (a) report as a non-allowable asset on the introducing broker’s Form 1 and Monthly Financial Report:
           (I) any portion of a deposit that a carrying broker has used to offset its margin requirements under subsection 2415(4), and
           (II) any portion of a deposit that is impaired in value because the carrying broker carries client accounts with unsecured debit balances,
       and,
       (b) report as an allowable asset on the introducing broker’s Form 1 and Monthly Financial Report any remaining deposits not classified as a non-allowable asset under sub-clause 2415(7)(ii)(a).

(8) Concentration calculations
   (i) When completing the concentration calculations in Schedules 9 and 12 of Form 1, the carrying broker must include, and the introducing broker must not include, all client positions the carrying broker maintains for the introducing broker.

(9) Segregating client securities
   (i) The carrying broker must segregate securities for clients introduced by the introducing broker in accordance with Corporation requirements relating to segregation.

(10) Free credit segregation
    (i) The carrying broker must segregate free credits for client accounts introduced by the introducing broker in accordance with Corporation requirements including, but not limited to, Statement D of Form 1.

(11) Insurance coverage requirements of the introducing broker
    (i) The introducing broker must:
        (a) include all accounts introduced to the carrying broker:
            (I) when calculating client net equity for the purposes of determining minimum Financial Institution Bond insurance coverage levels under section 4458, and
            (II) when determining adequate insurance coverage levels for registered mail under section 4455,
(b) maintain Financial Institution Bond insurance coverage for the types of losses specified under section 4456 and in the amounts that meet the minimum coverage levels specified in section 4457, and
(c) maintain adequate insurance for registered mail specified under section 4455.

(12) Insurance coverage requirements of the carrying broker
(i) The carrying broker must:
   (a) include all accounts it carries for the introducing broker:
      (I) when calculating client net equity for the purposes of determining minimum Financial Institution Bond insurance coverage levels under section 4458, and
      (II) when determining adequate insurance coverage levels for registered mail under section 4455,
   (b) maintain Financial Institution Bond insurance coverage for the types of losses specified under section 4456 and in the amounts that meet the minimum coverage levels specified in section 4457, and
   (c) maintain adequate insurance for registered mail specified under section 4455.

(13) Client account opening required disclosure
(i) At the time of opening a client account the introducing broker must:
   (a) advise the client of:
      (I) its relationship to the carrying broker, and
      (II) the client’s relationship to the carrying broker, and
   (b) obtain from the client a Corporation approved form acknowledging it has provided the client with the disclosure required by sub-clause 2415(13)(i)(a).

(14) Parties to margin and guarantee documents
(i) The introducing broker and the carrying broker must both be parties to any margin agreements and guarantee documents.

(15) Disclosure on contracts, statements and correspondence
(i) The introducing broker must provide either ongoing or annual disclosure of its introducing broker / carrying broker relationship to clients as follows:
   (a) where the introducing broker elects to provide ongoing relationship disclosure, the introducing broker and carrying broker must both show their names and roles on all client account contracts, statements, correspondence and other documents. Because of this ongoing disclosure, annual disclosure of the introducing broker / carrying broker relationship is not required, or
   (b) where the introducing broker elects to provide annual relationship disclosure:
      (I) the introducing broker must show its name on all client account contracts, statements, correspondence and other documents, and
      (II) the introducing broker must provide an annual written disclosure to each of its clients whose accounts are carried by a carrying broker outlining the relationship between:
         (A) the introducing broker and the carrying broker, and
(B) the client and the carrying broker.

However, if the name and role of each of the introducing broker and the carrying broker is shown on all contracts, statements, correspondence and other documents, the annual disclosure under paragraph 2415(15)(i)(b)(II) is not required.

(16) Clients introduced to the carrying broker

(i) A client introduced to the carrying broker by the introducing broker must be considered a client of both the introducing broker and the carrying broker for the purposes of compliance with Corporation requirements.

(17) Compliance with non-financial requirements

(i) For each account it introduces to the carrying broker, the introducing broker is responsible for compliance with all non-financial Corporation requirements unless stated otherwise in this section.

(18) Handling client cash

(i) The introducing broker must not accept or handle client funds in the form of money.

(ii) The introducing broker may accept a cheque from a client in the name of the introducing broker or carrying broker, provided that the cheque is deposited into a bank account in the carrying broker’s name or forwarded on to the carrying broker on the day it is received by the introducing broker or the next business day.

(19) Reporting of introducing broker principal positions

(i) The introducing broker must report all its principal positions carried by a carrying broker as inventory on its Form 1 and Monthly Financial Report.

(ii) The carrying broker must report the balance of the principal trading account the introducing broker has with the carrying broker on its Form 1 and Monthly Financial Report.

2416. – 2419. Reserved.

PART A.4 - SPECIFIC REQUIREMENTS FOR TYPE 3 INTRODUCING BROKER / CARRYING BROKER ARRANGEMENTS

2420. Type 3 introducing broker/carrying arrangement – requirements

The parties to a Type 3 introducing broker / carrying broker arrangement between two Dealer Members must comply with the following requirements:

(1) Minimum capital requirement

(i) The introducing broker must maintain at all times minimum capital of $250,000 for the purposes of calculating risk adjusted capital.

(2) Margin requirements to be provided by the introducing broker

(i) The introducing broker must maintain the required margin:

(a) for principal business it introduces to the carrying broker, and

(b) for client business it introduces to the carrying broker.

(3) Margin requirements to be provided by the carrying broker
(i) The *carrying broker* must maintain the required margin for any settlement date equity deficiency amounts relating to the principal business it carries for the *introducing broker* in accordance with the margin requirements for an account with another *regulated entity*, as set out in Note 4 of the Notes and Instructions to Schedule 5 of Form 1.

(4) Offsets of *carrying broker* margin requirements against deposits

(i) The *carrying broker* may reduce any margin it is required to provide under subsection 2420(3) by the lesser of the following amounts:

(a) the margin requirement, and

(b) the loan value of any *introducing broker* deposits held by the *carrying broker*.

Where a reduction is taken, the *carrying broker* must promptly notify the *introducing broker*.

(5) Reporting client balances

(i) When calculating *risk adjusted capital*, the *introducing broker* must report on Statement A and Schedule 4 of Form 1 and Monthly Financial Report all client accounts introduced to the *carrying broker*. The *carrying broker* must not report those accounts.

(ii) The *carrying broker* must report on its Form 1 and Monthly Financial Report one balance owing to or from the *introducing broker*, representing client accounts it carries for the *introducing broker*.

(iii) Although the *carrying broker* reports just one balance, its obligations and liabilities to each client whose account it carries for the *introducing broker* are not released, discharged, limited, or otherwise affected.

(6) Net client balances / funding

(i) The *carrying broker* must meet financing requirements for client accounts introduced by the *introducing broker*.

(7) Deposits provided to the *carrying broker* by the *introducing broker*

(i) The *carrying broker* must:

(a) segregate security deposits provided by the *introducing broker*,

(b) hold cash deposits in a separate bank account in trust for the *introducing broker*, and

(c) report all deposits it receives from the *introducing broker* as a liability on its Form 1 and Monthly Financial Report.

(ii) The *introducing broker* must:

(a) report as a non-allowable asset on the *introducing broker’s* Form 1 and Monthly Financial Report any portion of a deposit that a *carrying broker* has used to offset its margin requirements under subsection 2420(4), and

(b) report as an allowable asset on the *introducing broker’s* Form 1 and Monthly Financial Report any remaining deposits not classified as a non-allowable asset under sub-clause 2420(7)(ii)(a).

(8) Concentration calculations

(i) When completing the concentration calculations in Schedules 9 and 12 of Form 1, the *introducing broker* must include, and the *carrying broker* must not include, all client positions the *carrying broker* maintains for the *introducing broker*. 
9) Segregating client securities
   (i) The *carrying broker* must segregate securities for clients introduced by the *introducing broker* in accordance with *Corporation requirements* relating to segregation.

10) Free credit segregation
    (i) The *carrying broker* must segregate free credits for client accounts introduced by the *introducing broker* in accordance with *Corporation requirements* including, but not limited to, Statement D of Form 1.

11) Insurance coverage requirements of the *introducing broker*
    (i) The *introducing broker* must:
        (a) include all accounts introduced to the *carrying broker*:
            (I) when calculating client net equity for the purposes of determining minimum Financial Institution Bond insurance coverage levels under section 4457 and
            (II) when determining adequate insurance coverage levels for registered mail under section 4455,
        (b) maintain Financial Institution Bond insurance coverage for the types of losses specified under section 4456 and in the amounts that meet the minimum coverage levels specified in section 4457, and
        (c) maintain adequate insurance for registered mail specified under section 4455.

12) Insurance coverage requirements of the *carrying broker*
    (i) The *carrying broker* must:
        (a) include all accounts it carries for the *introducing broker*:
            (I) when calculating client net equity for the purposes of determining minimum Financial Institution Bond insurance coverage levels under section 4457, and
            (II) when determining adequate insurance coverage levels for registered mail under section 4455,
        (b) maintain Financial Institution Bond insurance coverage for the types of losses specified under section 4456 and in the amounts that meet the minimum coverage levels specified in section 4457, and
        (c) maintain adequate insurance for registered mail specified under section 4455.

13) Client account opening required disclosure
    (i) At the time of opening a client account the *introducing broker* must advise the client of:
        (a) its relationship to the *carrying broker*, and
        (b) the client’s relationship to the *carrying broker*.

14) Parties to margin and guarantee documents
    (i) The *introducing broker* and the *carrying broker* must both be parties to any margin agreements and guarantee documents.

15) Disclosure on contracts, statements and correspondence
    (i) The *introducing broker* must provide either ongoing or annual disclosure of its *introducing broker / carrying broker* relationship to clients as follows:
(a) where the introducing broker elects to provide ongoing relationship disclosure, the introducing broker and carrying broker must both show their names and roles on all client account contracts, statements, correspondence and other documents. Because of this ongoing disclosure, annual disclosure of the introducing broker / carrying broker relationship is not required, or

(b) where the introducing broker elects to provide annual relationship disclosure:

(I) the introducing broker must show its name on all client account contracts, statements, correspondence and other documents, and

(II) the introducing broker must provide an annual written disclosure to each of its clients whose accounts are carried by a carrying broker outline the relationship between:

(A) the introducing broker and the carrying broker, and

(B) the client and the carrying broker.

However, if the name and role of each of the introducing broker and the carrying broker is shown on all contracts, statements, correspondence and other documents, the annual disclosure under paragraph 2420(15)(i)(b)(II) is not required.

(16) Clients introduced to the carrying broker

(i) A client introduced to the carrying broker by the introducing broker must be considered a client of both the introducing broker and the carrying broker for the purposes of compliance with Corporation requirements.

(17) Compliance with non-financial requirements

(i) For each account it introduces to the carrying broker, the introducing broker is responsible for compliance with all non-financial Corporation requirements unless stated otherwise in this section.

(18) Handling client cash

(i) The introducing broker may accept or handle client funds in the form of money.

(ii) An introducing broker may facilitate transactions for a client account carried by a carrying broker by accepting client cheques:

(a) in the introducing broker’s name, and depositing those cheques in a bank account in the introducing broker’s name for eventual deposit to an account in the carrying broker’s name, or

(b) in the carrying broker’s name for deposit directly into a bank account in the carrying broker’s name.

(19) Reporting of introducing broker principal positions

(i) The introducing broker must report all its principal positions carried by a carrying broker as inventory on its Form 1 and Monthly Financial Report.

(ii) The carrying broker must report the balance of the principal trading account the introducing broker has with the carrying broker on its Form 1 and Monthly Financial Report.

2421. – 2424. Reserved.
PART A.5 - SPECIFIC REQUIREMENTS FOR TYPE 4 INTRODUCING BROKER / CARRYING BROKER ARRANGEMENTS

2425. Type 4 introducing broker/carrying broker arrangement – requirements

The parties to a Type 4 introducing broker / carrying broker arrangement between two Dealer Members must comply with the following requirements:

(1) Minimum capital requirement
   (i) The introducing broker must maintain at all times minimum capital of $250,000 for the purposes of calculating risk adjusted capital.

(2) Margin requirements to be provided by the introducing broker
   (i) The introducing broker must maintain the required margin:
      (a) for principal business it introduces to the carrying broker, and
      (b) for client business it introduces to the carrying broker.

(3) Margin requirements to be provided by the carrying broker
   (i) The carrying broker must maintain the required margin for any settlement date equity deficiency amounts relating to the principal business it carries for the introducing broker in accordance with the margin requirements for an account with another regulated entity, as set out in Note 4 of the Notes and Instructions to Schedule 5 of Form 1.

(4) Offsets of carrying broker margin requirements against deposits
   (i) The carrying broker may reduce any margin it is required to provide under subsection 2425(3) by the lesser of the following amounts:
      (a) the margin requirement, and
      (b) the loan value of any introducing broker deposits held by the carrying broker.
   Where a reduction is taken, the carrying broker must promptly notify the introducing broker.

(5) Reporting client balances
   (i) When calculating risk adjusted capital, the introducing broker must report on Statement A and Schedule 4 of Form 1 and the Monthly Financial Report all client accounts introduced to the carrying broker. The carrying broker must not report those accounts.
   (ii) The carrying broker must report on its Form 1 and Monthly Financial Report one balance owing to or from the introducing broker, representing client accounts it carries for the introducing broker.
   (iii) Although the carrying broker reports just one balance, its obligations and liabilities to each client whose account it carries for the introducing broker are not released, discharged, limited, or otherwise affected.

(6) Net client balances / funding
   (i) The introducing broker must meet financing requirements for client accounts it introduces to the carrying broker.

(7) Deposits provided to the carrying broker by the introducing broker
   (i) The carrying broker must:
      (a) segregate security deposits provided by the introducing broker,
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(b) hold cash deposits in a separate bank account in trust for the introducing broker, and
(c) report all deposits it receives from the introducing broker as a liability on its Form 1 and Monthly Financial Report.

(ii) The introducing broker must:
(a) report as a non-allowable asset on the introducing broker’s Form 1 and Monthly Financial Report any portion of a deposit that a carrying broker has used to offset its margin requirements under subsection 2425(4), and
(b) report as an allowable asset on the introducing broker’s Form 1 and Monthly Financial Report any remaining deposits not classified as a non-allowable asset under sub-clause 2425(7)(ii)(a).

(8) Concentration calculations
(i) When completing the concentration calculations in Schedules 9 and 12 of Form 1, the introducing broker must include, and the carrying broker must not include, all client positions the carrying broker maintains for the introducing broker.

(9) Segregating client securities
(i) The carrying broker must segregate securities for clients introduced by the introducing broker in accordance with Corporation requirements relating to segregation.

(10) Free credit segregation
(i) The introducing broker must segregate free credits for client accounts it introduces to the carrying broker in accordance with Corporation requirements including, but not limited to, Statement D of Form 1.

(11) Insurance coverage requirements of the introducing broker
(i) The introducing broker must:
(a) include all accounts introduced to the carrying broker:
   (I) when calculating client net equity for the purposes of determining minimum Financial Institution Bond insurance coverage levels under section 4457, and
   (II) when determining adequate insurance coverage levels for registered mail under section 4455,
(b) maintain Financial Institution Bond insurance coverage for the types of losses specified under section 4456 and in the amounts that meet the minimum coverage levels specified in section 4457, and
(c) maintain adequate insurance for registered mail specified under section 4455.

(12) Insurance coverage requirements of the carrying broker
(i) The carrying broker must:
(a) include all accounts it carries for the introducing broker:
   (I) when calculating client net equity for the purposes of determining minimum Financial Institution Bond insurance coverage levels under section 4457, and
   (II) when determining adequate insurance coverage levels for registered mail under section 4455,
(b) maintain Financial Institution Bond insurance coverage for the types of losses specified under section 4456 and in the amounts that meet the minimum coverage levels specified in section 4457, and

(c) maintain adequate insurance for registered mail specified under section 4455.

(13) Client account opening required disclosure

(i) At the time of opening a client account the introducing broker must advise the client of:

(a) its relationship to the carrying broker, and
(b) the client’s relationship to the carrying broker.

(14) Parties to margin and guarantee documents

(i) The introducing broker and the carrying broker or the introducing broker itself, may be party to any margin agreements and guarantee documents.

(ii) Where the margin agreements or guarantee documents are only executed between the introducing broker and the client, the introducing broker / carrying broker agreement must provide that the carrying broker may protect its interest in unpaid securities of the introducing broker when the introducing broker becomes insolvent, bankrupt, or ceases to be a Dealer Member.

(15) Disclosure on contracts, statements and correspondence

(i) The introducing broker must provide either ongoing or annual disclosure of its introducing broker / carrying broker relationship to clients as follows:

(a) where the introducing broker elects to provide ongoing relationship disclosure, the introducing broker and carrying broker must both show their names and roles on all client account contracts, statements, correspondence and other documents. Because of this ongoing disclosure, annual disclosure of the introducing broker / carrying broker relationship is not required, or

(b) where the introducing broker elects to provide annual relationship disclosure:

(I) the introducing broker must show its name on all client account contracts, statements, correspondence and other documents,

(II) the introducing broker must provide an annual written disclosure to each of its clients whose accounts are carried by a carrying broker outlining the relationship between:

(A) the introducing broker and the carrying broker, and
(B) the client and the carrying broker.

However, if the name and role of each of the introducing broker and the carrying broker is shown on all contracts, statements, correspondence and other documents, the annual disclosure under paragraph 2425(15)(i)(b)(II) is not required.

(16) Clients introduced to the carrying broker

(i) A client introduced to the carrying broker by the introducing broker must be considered a client of both the introducing broker and the carrying broker for the purposes of compliance with Corporation requirements.
(17) Compliance with non-financial requirements
   (i) For each account it introduces to the carrying broker, the introducing broker is responsible for compliance with all non-financial Corporation requirements unless stated otherwise in this section.

(18) Handling client cash
   (i) The introducing broker may accept or handle client funds in the form of money.
   (ii) An introducing broker may facilitate transactions for a client account carried by a carrying broker by accepting client cheques:
      (a) in the introducing broker’s name, and depositing those cheques in a bank account in the introducing broker’s name for eventual deposit to an account in the carrying broker’s name, or
      (b) in the carrying broker’s name for deposit directly into a bank account in the carrying broker’s name.

(19) Reporting of introducing broker principal positions
   (i) The introducing broker must report all its principal positions carried by a carrying broker as inventory on its Form 1 and Monthly Financial Report.
   (ii) The carrying broker must report the balance of the principal trading account the introducing broker has with the carrying broker on its Form 1 and Monthly Financial Report.

2426. – 2429. Reserved.

PART B – REQUIREMENTS FOR ACCEPTABLE ARRANGEMENTS BETWEEN A DEALER MEMBER AND A MUTUAL FUND DEALER

2430. Arrangements between investment dealers and mutual fund dealers
   (1) A Dealer Member may carry accounts for a Mutual Fund Dealer Member provided that:
      (i) the Dealer Member and the Mutual Fund Dealer Member shall enter into a written introducing broker / carrying broker agreement evidencing the arrangement and reflecting the requirements of section 2431 and such other matters as may be required by the Corporation,
      (ii) the arrangement (including the form of agreement referred to in section 2431) and any amendment to or termination of the arrangement or agreement, shall have been approved by the Corporation before it is to become effective; and
      (iii) the arrangement shall be in compliance with the Corporation’s Investment Dealer and Partially Consolidated Rules, Mutual Fund Dealer Rules and Universal Market Integrity Rules and securities laws applicable to the introducing and carrying dealer or, where for a particular activity the introducing broker or carrying broker cannot comply with the requirements applicable to them, the introducing broker and carrying broker must request exemptive relief from the Corporation that specifies the manner in which the activity must be performed.
2431. Requirements that apply to each party involved in the arrangement

(1) A Dealer Member may enter into an agreement with a Mutual Fund Dealer Member in accordance with section 2430 if it satisfies the following requirements:

(i) For activities performed by the carrying broker on the introducing broker’s behalf:

(a) the carrying broker will be subject to and must comply with the applicable rule requirements within the Corporation’s Investment Dealer and Partially Consolidated Rules and Universal Market Integrity Rules,

(b) the carrying broker must perform these activities in a manner that does not interfere with the introducing broker’s ability to meet its compliance obligations under sub-clause 2431(1)(ii)(a), and

(c) both the introducing broker and the carrying broker retain joint responsibility for:

(I) the proper performance of the activities, and

(II) compliance with the applicable rules.

(ii) For activities other than those performed by the carrying broker on the introducing broker’s behalf:

(a) the introducing broker will be subject to and must comply with the Corporation’s Mutual Fund Dealer Rules,

(b) the introducing broker must perform these activities in a manner that does not interfere with the carrying broker’s ability to meet its compliance obligations under sub-clause 2431(1)(i)(a), and

(c) the introducing broker retains sole responsibility for:

(I) the proper performance of the activities, and

(II) compliance with the applicable rules.

2432. - 2434. Reserved.

PART C - ARRANGEMENTS BETWEEN A DEALER MEMBER AND A FOREIGN AFFILIATE DEALER

2435. Arrangements that may be executed with a foreign affiliate

(1) A Dealer Member may carry the client accounts of its foreign affiliate dealer if:

(i) the Dealer Member enters into an introducing broker / carrying broker agreement type that is permissible pursuant to sections 2403 through 2425 to be entered into between two Dealer Members,

(ii) the Dealer Member complies with the applicable conditions and requirements that apply to introducing broker / carrying broker agreement type set out in sections 2403 through 2425, including the requirement to enter into a written agreement,

(iii) the written agreement is:

(a) in a form acceptable to the Corporation,

(b) specifies the type of arrangement being entered into is a Type 1, Type 2, Type 3 or Type 4 introducing broker/carrying broker arrangement,

(c) includes terms that comply with the requirements of sections 2401 through 2480 that apply to the type of arrangement being entered into, and
(d) approved by the Corporation in advance of it coming into effect,
and,
(iv) the Dealer Member complies with the additional conditions set out in section 2436.

2436. Additional conditions that apply to an introducing broker / carrying broker arrangement involving a foreign affiliate dealer

The parties to an introducing broker / carrying broker arrangement between a Dealer Member and its foreign affiliate dealer must comply with the following conditions and requirements:

(1) Annual disclosure requirement
   (i) The foreign affiliate, at least annually, must provide written disclosure in a form satisfactory to the Corporation, to each of its clients whose accounts are carried by the Dealer Member outlining:
       (a) the relationship between the Dealer Member and its foreign affiliate,
       (b) the relationship between the Dealer Member and the foreign affiliate’s client, and
       (c) any Investor Protection Fund coverage limitations on those client accounts.

(2) Foreign jurisdiction approval
   (i) The Dealer Member must provide written approval of the arrangement between the Dealer Member and its foreign affiliate from the foreign affiliate’s regulatory authority.

(3) Responsibility for compliance
   (i) The Dealer Member’s foreign affiliate is not required to comply with Corporation requirements solely because of the arrangement.

(4) Reporting balances
   (i) When calculating risk adjusted capital the Dealer Member must report on Statement A and Schedule 4 of Form 1 and the Monthly Financial Report one balance owing to or from its foreign affiliate representing the accounts of the clients it carries on behalf of its foreign affiliate.

(5) Segregating securities
   (i) The Dealer Member must segregate securities it holds for its foreign affiliate’s clients in accordance with Corporation requirements relating to segregation.

(6) Insurance
   (i) The Dealer Member must include all accounts introduced to it by its foreign affiliate when calculating client net equity for minimum Financial Institution Bond coverage under section 4457 and 4458.

2437. – 2459. Reserved.

PART D - PERMITTED ARRANGEMENTS THAT ARE NOT CONSIDERED TO BE INTRODUCING BROKER/CARRYING BROKER ARRANGEMENTS

2460. Certain arrangements executed with a Canadian financial institution affiliate

(1) A Dealer Member’s arrangement under which employees of its affiliate handle securities clearing and settlement, maintain records, or perform operational functions is not considered an
*introducing / carrying broker arrangement* for the purposes of sections 2401 through 2480 provided the custodial functions are handled on a segregated basis according to *Corporation requirements* and the *affiliate* is:

(i) a chartered bank,

(ii) an insurance company governed by federal or provincial insurance legislation, or

(iii) a loan or trust company governed by federal or provincial loan and trust company legislation.

**2461. Certain arrangements with other dealers**

(1) *A Dealer Member’s clearing arrangement* under which it acts as the clearing broker for another dealer is permitted and is not considered an *introducing broker / carrying broker arrangement* for the purposes of sections 2401 through 2480, provided that the arrangement also qualifies as a clearing arrangement under the rules of the relevant exchange or self-regulatory organization in the jurisdiction of the other dealer.

**2462. – 2479. Reserved.**

**PART E - PROHIBITED BACK OFFICE SHARING ARRANGEMENTS**

**2480. Prohibited introducing broker / carrying broker arrangements**

(1) *A Dealer Member* must not enter into an *introducing broker / carrying broker arrangement* with any person except with:

(i) another *Dealer Member*, in accordance with the requirements in sections 2403 through 2425,

(ii) a *Mutual Fund Dealer Member*, in accordance with the requirements in sections 2430 and 2431, or

(ii) a foreign *affiliate* dealer, in accordance with the requirements in sections 2435 and 2436.

**2481. – 2499. Reserved.**
RULE 2500 | DEALER MEMBER DIRECTORS AND EXECUTIVES, AND APPROVAL OF INDIVIDUALS

2501. Introduction
   (1) Rule 2500 sets out requirements for a Dealer Member’s Directors and Executives including, its Chief Financial Officer, Chief Compliance Officer, and Ultimate Designated Person.
   (2) Rule 2500 is divided into the following parts:
      Part A – Dealer Member Directors and Executives
                  [sections 2502 through 2507]
      Part B – Approval of individuals
                  [sections 2550 through 2555]

PART A - DEALER MEMBER DIRECTORS AND EXECUTIVES

2502. General requirements for Directors
   (1) No individual may become a member of the board of directors of a Dealer Member unless that individual has been approved as a Director by the Corporation.
   (2) At least 40% of the Dealer Member’s Directors must:
      (i) either:
         (a) be actively engaged in the business of the Dealer Member and spend the majority of their time in the securities industry, except those on active government service, or who for health reasons are prevented from such active engagement, or
         (b) occupy a position equivalent to an Executive or a Director at a related or affiliated firm registered with a securities regulatory authority, an affiliated foreign securities dealer or advisor, or an affiliated Canadian financial institution,
      (ii) satisfy the applicable proficiency requirements of clause 2602(3)(xxviii), and
      (iii) have at least five years’ experience in the financial services industry, or such lessor period as may be acceptable to the Corporation.
   (3) The remaining Directors who do not meet subsection 2502(2) must, if actively engaged in the business of the Dealer Member or its related company, meet the requirements of sub-clause 2502(2)(i)(b) and clause 2502(2)(ii).

2503. General requirements for Executives
   (1) A Dealer Member’s Executives must:
      (i) be either:
         (a) actively engaged in the business of the Dealer Member and spend the majority of their time in the securities industry, except those on active government service, or who for health reasons are prevented from such active engagement, or
         (b) occupy a position equivalent to an Executive or Director at a related or affiliated firm registered with a securities regulatory authority, affiliated foreign securities dealer or advisor, or an affiliated Canadian financial institution, and
Corporation Investment Dealer and Partially Consolidated Rules

(ii) satisfy the applicable proficiency requirements of clause 2602(3)(xxvii).

(2) At least 60% of the Dealer Member’s Executives must have at least five years of experience in the financial services industry, or such lessor period as may be acceptable to the Corporation.

2504. Exemption

(1) The Corporation may grant an exemption from any requirement or part of a requirement in sections 2502 or 2503 if it is satisfied that it would not harm the interests of the Dealer Member, its clients, the public or the Corporation. The exemption may be on any terms and conditions that the Corporation believes are necessary.

2505. Chief Financial Officer

(1) A Dealer Member must designate a Chief Financial Officer who must:
   (i) be designated as an Executive and meet the general requirements for Executives set out in section 2503, and
   (ii) satisfy the applicable proficiency and experience requirements set out in clause 2602(3)(xxix).

(2) The Chief Financial Officer need not be actively engaged in the business of the Dealer Member on a full-time basis if appropriate for the Dealer Member’s business.

(3) When a Chief Financial Officer ceases to be approved in the applicable category, the Dealer Member must either immediately:
   (i) designate a qualified individual as Chief Financial Officer, or
   (ii) with the Corporation’s prior approval, designate an Executive as acting Chief Financial Officer.

(4) When an acting Chief Financial Officer is designated:
   (i) that individual must satisfy the applicable proficiency requirements of clause 2602(3)(xxix) and be designated as Chief Financial Officer, or
   (ii) the Dealer Member must designate another qualified individual as Chief Financial Officer, within 90 days of the previous Chief Financial Officer’s cessation date.

(5) Any Dealer Member that fails to have a qualified Chief Financial Officer within 90 days of the cessation date of the previous Chief Financial Officer, or such other dates as the Corporation may specify, will be liable for and pay to the Corporation such fees as the Board may prescribe from time to time.

2506. Chief Compliance Officer

(1) A Dealer Member must designate a Chief Compliance Officer who must:
   (i) be designated as an Executive and meet the general requirements for Executives set out in section 2503, and
   (ii) satisfy the applicable proficiency and experience requirements set out in clause 2602(3)(xxx).

(2) The Chief Compliance Officer may be the Ultimate Designated Person, if approved by the Corporation.
(3) A Dealer Member may designate additional Chief Compliance Officers to be responsible for separate business units of the Dealer Member, if the Dealer Member has obtained the prior approval of the Corporation and any other applicable securities regulatory authority.

(4) When a Chief Compliance Officer ceases to be approved in the applicable category, the Dealer Member must either immediately:
   (i) designate a qualified individual as Chief Compliance Officer, or
   (ii) with the Corporation’s prior approval, designate an Executive as acting Chief Compliance Officer.

(5) When an acting Chief Compliance Officer is designated:
   (i) the individual must satisfy the applicable proficiency requirements of clause 2602(3)(xxx) and be designated as Chief Compliance Officer, or
   (ii) the Dealer Member must designate another qualified individual as Chief Compliance Officer, within 90 days of the previous Chief Compliance Officer’s cessation date.

(6) Any Dealer Member that fails to have a qualified Chief Compliance Officer within 90 days of the cessation date of the previous Chief Compliance Officer, or such other dates as the Corporation may specify, will be liable for and pay to the Corporation such fees as the Board may prescribe from time to time.

2507. Ultimate Designated Person

(1) A Dealer Member must designate an Ultimate Designated Person who must be designated as an Executive and meet the general requirements for Executives set out in section 2503.

(2) The Ultimate Designated Person must be:
   (i) the chief executive officer of the Dealer Member or, if the Dealer Member does not have a chief executive officer, an individual acting in a capacity similar to a chief executive officer,
   (ii) the sole proprietor of the Dealer Member, or
   (iii) the Executive in charge of a division of the Dealer Member, if the activity that requires the Dealer Member to register occurs only within the division and the Dealer Member has significant other business activities.

(3) A Dealer Member may designate additional Ultimate Designated Persons to be responsible for separate business units, with the prior approval of the Corporation and any other applicable securities regulatory authority.

(4) If an individual who is approved as a Dealer Member’s Ultimate Designated Person ceases to meet any of the conditions listed in subsections 2507(1) and 2507(2), the Dealer Member must immediately designate another qualified individual to act as its Ultimate Designated Person or if unable to do so, promptly notify the Corporation of its plan to designate another qualified individual as its Ultimate Designated Person.
PART B - APPROVAL OF INDIVIDUALS

2550. Introduction
(1) Part B of Rule 2500 sets out the approval criteria for Approved Persons.
(2) Part B of Rule 2500 requirements are complementary to section 9204, which discuss individual approval applications.

2551. Individual approval
(1) An individual is not permitted to act as an Approved Person and a Dealer Member is not permitted to allow an individual to act as an Approved Person unless:

(i) the Dealer Member is registered or licensed (or exempt from such registration or licensing) in the appropriate category under securities laws in each jurisdiction in which clients of the Dealer Member reside or in which the Dealer Member carries on securities related business,

(ii) the individual, if required to do so under securities laws, is registered or licensed (or exempt from such registration or licensing) in the appropriate category under securities laws in each jurisdiction in which clients of the individual reside or in which the individual carries on securities related business, and

(iii) the individual is approved by the Corporation in the appropriate Approved Person category, before the individual begins working in that role. In the case of a Registered Representative dealing in mutual funds only who is an employee of a firm registered as both an investment dealer and a mutual fund dealer, such approval will be automatic upon the individual’s registration as a Mutual Fund Dealer - Dealing Representative.

(2) Only a Dealer Member’s director, partner, officer or employee can be an Approved Person.

(3) A Dealer Member must ensure that each Approved Person at the Dealer Member complies with Corporation requirements applicable to that individual’s Approved Person category.

(4) All Approved Persons are subject to Corporation jurisdiction and must comply with Corporation requirements.

(5) A Dealer Member must ensure that, when dealing with the public, its Approved Persons use titles and designations that accurately indicate:

(i) the type of business that they have been approved by the Corporation to conduct, and

(ii) the role that they carry out or has been approved by the Corporation to carry out.

(6) If an Approved Person ceases to be approved by the Corporation, the former Approved Person must immediately cease any activity requiring Corporation approval.

(7) Except as set out in subsection 2551(8), an Approved Person must not accept, nor allow an associate to accept, directly or indirectly, any remuneration, gratuity, benefit or other consideration from any person other than the Dealer Member, its related companies, or affiliates for any Dealer Member related activities carried out by the Approved Person.

(8) Where an individual:
Corporation Investment Dealer and Partially Consolidated Rules

(i) is approved as a Registered Representative dealing in mutual funds only pursuant to clause 2602(3)(vii), and

(ii) acts as an agent of a Dealer Member in compliance with the requirements set out in Rule 2300,

any remuneration, gratuity, benefit or other consideration in respect of business conducted by the individual on behalf of the Dealer Member may be paid by the Dealer Member to a corporation that is not registered under securities laws provided:

(iii) the arrangement is not prohibited or otherwise limited by the relevant securities laws or securities regulatory authorities,

(iv) the corporation is incorporated under the laws of Canada or a province or territory of Canada, and

(v) the individual, Dealer Member and the unregistered corporation have entered into a written agreement, in a form prescribed by the Corporation, the terms of which provide that:

(a) the individual and Dealer Member have the same:

(I) obligations to comply with applicable Corporation requirements and securities laws, and

(ii) liabilities to third parties, including clients irrespective of the method by which any remuneration, gratuity, benefit or other consideration is disbursed,

(b) the Dealer Member shall engage in appropriate supervision with respect to the conduct of the individual and the unregistered corporation to ensure compliance with the requirements in sub-clause 2551(8)(v)(a) and all other applicable Corporation requirements, and

(c) the individual and the unregistered corporation shall provide the Dealer Member, the Corporation and the applicable securities regulatory authorities with access to all books and records maintained by or on behalf of either of them for the purpose of ensuring compliance with the Corporation requirements and securities laws.

(9) Subsection 2551(8) does not apply in respect of any remuneration, gratuity, benefit or other consideration derived from a client in Alberta.

2552. Compliance with the proficiency requirements or other conditions

(1) Each Approved Person must:

(i) meet the applicable proficiency requirements set out in Rule 2600 before Corporation approval is granted, and

(ii) complete the applicable post-approval course requirements of subsection 2602(3) after receiving Corporation approval.

(2) The Corporation will automatically suspend an Approved Person if they do not complete all required post-approval courses in the Approved Persons category as set out in Rule 2600.

(3) The Corporation will reinstate an Approved Person once they have passed the required post-approval courses and the Corporation has been notified.
2553. Approval of Registered Representatives, Investment Representatives, Portfolio Managers and Associate Portfolio Managers and their obligations

(1) A Portfolio Manager and Associate Portfolio Manager is also permitted to conduct activities carried on by a Registered Representative in accordance with Corporation requirements applicable to Registered Representatives.

(2) A Registered Representative, Investment Representative, Portfolio Manager or Associate Portfolio Manager may not conduct on behalf of a Dealer Member, and a Dealer Member may not permit the Approved Person to conduct on its behalf, the type of business as set out in clause 2553(2)(iv) and deal with a type of customer as set out in clauses 2553(2)(i) and (ii), unless the Dealer Member complies with the following:

(i) The Dealer Member must notify the Corporation, and seek the Corporation’s prior approval on whether the Registered Representative, Investment Representative, Portfolio Manager or Associate Portfolio Manager will deal with either retail clients or institutional clients.

(ii) A Registered Representative dealing with:

(a) retail clients, may take orders from, or give advice to, all types of clients, or
(b) institutional clients, may take orders from, or give advice to, institutional clients only.

(iii) An Investment Representative dealing with:

(a) retail clients, may take orders from all types of clients, or
(b) institutional clients, may take orders from institutional clients only.

(iv) The Dealer Member must notify the Corporation which of its individuals approved as a Registered Representative, Investment Representative, Portfolio Manager or Associate Portfolio Manager will deal in or advise in:

(a) only mutual funds, government or government-guaranteed debt instruments, and deposit instruments issued by a federally regulated bank, trust company, credit union or caisse populaire, except those for which all or part of the interest or return is indexed to the performance of another financial instrument or index,

(b) options,

(c) futures contracts and futures contract options, other than in any province where approval is required, and

(d) general securities business; including equities, fixed income and other investment products not listed above.

(3) An individual applying for approval as a Registered Representative or Investment Representative dealing with mutual fund business only must comply with the proficiency requirements in clauses 2602(3)(vi), 2602(3)(vii) or 2602(3)(xiii).
A Registered Representative or Investment Representative approved to deal with mutual funds only must comply with the following:

(i) within 270 days of initial approval, successfully complete the Canadian Securities Course and the Conduct and Practices Handbook Course, and

(ii) complete the applicable training program required before approval for a Registered Representative in clause 2602(3)(i) or an Investment Representative in clause 2602(3)(viii) and the Dealer Member must notify the Corporation that the restriction to mutual funds only has been removed.

Clause 2553(4)(ii) does not apply to a Registered Representative or Investment Representative qualified to deal in mutual funds only who was approved prior to September 28, 2009 and registered in provinces or territories which allowed the individual to be restricted to mutual funds only, provided they remain in the same restricted category of approval in the same provinces/territories.

Subsection 2553(4) does not apply to a Registered Representative qualified to deal in mutual funds only who is an employee of a firm that is registered as both an investment dealer and a mutual fund dealer.

The approval of an individual qualified to conduct only mutual fund business is automatically suspended if the individual fails to satisfy the requirement in subsection 2553(4) until the individual has satisfied the requirements and notifies the Corporation.

An Associate Portfolio Manager must not advise on securities unless, before giving the advice, the advice has been pre-approved by the Portfolio Manager.

The Approved Person’s activities outside of the Dealer Member

An Approved Person may have, and continue in, an activity outside of the Dealer Member, if the outside activity:

(i) is not contrary to securities laws or Corporation requirements, and

(ii) does not bring the securities industry into disrepute.

An Approved Person may have, and continue in, an outside activity, if:

(i) the Approved Person informs the Dealer Member of the outside activity,

(ii) the Approved Person obtains the Dealer Member’s prior approval to engage in the outside activity,

(iii) the Dealer Member’s policies and procedures specifically address:

(a) continuous service to clients, and

(b) potential conflicts of interest,

and,

(iv) the Dealer Member notifies the Corporation of the outside activity within the time period and manner required by National Instrument 33-109.

An individual must not act, and a Dealer Member must not permit an individual to act, as a Registered Representative, Investment Representative, Portfolio Manager, Associate Portfolio Manager or Trader in a manner that is contrary to section 4.1 of National Instrument 31-103,
unless an exemption is granted by the applicable securities regulatory authority and such similar exemption request is also filed with and approved by the Corporation.

2555. Approval of investors

(1) Any investor who owns or holds a beneficial ownership interest in a significant equity interest in the Dealer Member or special warrants or other securities that are convertible into a significant equity interest in the Dealer Member must:
   (i) be approved by the Corporation, and
   (ii) if applicable, meet the proficiency requirements of subsections 2555(2) and 2555(3).

(2) A Dealer Member’s Director who, directly or indirectly, owns or controls a voting interest of a Dealer Member of 10% or more must satisfy the proficiency requirements of clause 2602(3)(xxxi).

(3) Any individual, other than a Dealer Member’s Director, who:
   (i) is actively engaged in the business of the Dealer Member, and
   (ii) directly or indirectly owns or controls a voting interest in a Dealer Member of 10% or more, must satisfy the proficiency requirements of clause 2602(3)(xxxi) applicable to approved investors.

2556. – 2599. Reserved.
2601. Introduction

(1) Rule 2600 sets out the minimum proficiency requirements for individuals requiring Corporation approval. The requirements are designed to ensure that Approved Persons are qualified to perform their job functions competently in order to meet their regulatory obligations and that a Dealer Member’s business is conducted with integrity.

(2) Rule 2600 is divided into the following parts:

Part A – Proficiency requirements [sections 2602 and 2603]

Part B – Exemptions from proficiency requirements [sections 2625 through 2628]

Part C – Transition provisions [sections 2630 and 2631]

PART A - PROFICIENCY REQUIREMENTS

2602. Proficiency requirements for Approved Persons and approved investors

(1) An Approved Person must not perform an activity that requires approval unless the Approved Person has the education, training and experience that a reasonable person would consider necessary to perform the activity competently, including understanding the structure, features and risks of each security the Approved Person recommends.

(2) The Dealer Member must ensure that an individual does not perform an activity that requires Corporation approval unless the individual has the education, training and experience that a reasonable person would consider necessary to perform the activity competently, including understanding the structure, features and risks of each security the individual recommends.

(3) Each applicant in an Approved Person category or approved investor category must meet the proficiency requirements set out below for that category unless an exemption has been granted from the applicable proficiency requirements before the Corporation will grant approval. Unless otherwise stated, the Canadian Securities Institute administers the courses and examinations noted below.

<table>
<thead>
<tr>
<th>Registered Representatives and Investment Representatives</th>
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<tbody>
<tr>
<td>• Registered Representative dealing with retail clients (other than Registered Representatives dealing in options, futures contracts and futures contract options or dealing in mutual funds only)</td>
</tr>
<tr>
<td>• Registered Representative dealing with institutional clients (other than Registered Representative dealing in options, futures contracts and futures contract options or dealing in mutual funds only)</td>
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<tr>
<td>• Registered Representative dealing in options with retail clients</td>
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<tr>
<td>• Registered Representative dealing in options with institutional clients</td>
</tr>
<tr>
<td>• Registered Representative dealing in futures contracts and futures contract options with retail or institutional clients</td>
</tr>
</tbody>
</table>
- **Registered Representative** dealing in mutual funds only who is an employee of a firm registered as an investment dealer and not registered as a mutual fund dealer
- **Registered Representative** dealing in mutual funds only who is an employee of a firm registered as both an investment dealer and a mutual fund dealer
- **Investment Representative** dealing with retail clients (other than **Investment Representative** dealing in options, futures contracts and futures contract options or dealing in mutual funds only)
- **Investment Representative** dealing with institutional clients (other than **Investment Representative** dealing in options, futures contracts and futures contract options or dealing in mutual funds only)
- **Investment Representative** dealing in options with retail clients
- **Investment Representative** dealing in options with institutional clients
- **Investment Representative** dealing in futures contracts or futures contract options with retail or institutional clients
- **Investment Representative** dealing in mutual funds only who is an employee of a firm registered as an investment dealer and not registered as a mutual fund dealer

**Associate Portfolio Managers and Portfolio Managers**
- **Associate Portfolio Managers** providing discretionary portfolio management for managed accounts
- **Portfolio Managers** providing discretionary portfolio management for managed accounts

**Traders**
- **Trader**
- **Trader on the Montréal Exchange**

**Supervisors – Retail or Institutional**
- **Supervisor of Registered Representatives or Investment Representatives** (other than supervising options or futures contracts and futures contract options)
- **Supervisor of Registered Representatives or Investment Representatives** dealing with clients in options
- **Supervisor of Registered Representatives or Investment Representatives** dealing with clients in futures contracts and futures contract options

**Designated Supervisors**
- **Supervisor** designated to be responsible for the opening of new accounts and supervision of account activity
- **Supervisor** designated to be responsible for the supervision of discretionary accounts
- **Supervisor** designated to be responsible for the supervision of managed accounts
- **Supervisor** designated to be responsible for the supervision of options accounts
- **Supervisor** designated to be responsible for the supervision of futures contract/futures contract options accounts
- **Supervisor** designated to be responsible for the pre-approval of advertising, sales literature and correspondence
- **Supervisor** designated to be responsible for the supervision of research reports

**Executives and Directors**
- **Executive** (including Ultimate Designated Person)
- **Director**
**Approved Persons category** | **Courses completed before approval** | **Courses to be completed after approval** | **Experience and other requirements**
---|---|---|---
(i)  *Registered Representative* dealing with *retail clients* (other than *Registered Representatives* dealing in *options, futures contracts* and *futures contract options* or dealing in *mutual funds only*) | • Canadian Securities Course or, Level I or any higher level of the CFA Program administered by the CFA Institute, and Conduct and Practices Handbook Course and • 90-day training program after completion of the Canadian Securities Course or CFA Program Level I or any higher level. The *Dealer Member* must employ the applicant full time during this program. OR New Entrants Course, if previously registered with a *recognized foreign self-regulatory organization* in a similar capacity within three years before requesting approval | • Wealth Management Essentials Course within 30 months after approval date as a *Registered Representative* | • Six months of supervision and supervisory reporting from initial approval date as a *Registered Representative*

(ii)  *Registered Representative* dealing with *institutional clients* (other than *Registered Representatives* dealing in *options, futures contracts* and *futures contract options* or dealing in *mutual funds only*) | • Canadian Securities Course or, Level I or any higher level of the CFA Program administered by the CFA Institute, and Conduct and Practices Handbook Course OR • New Entrants Course, if previously registered with a *recognized foreign self-regulatory organization* in a similar capacity within three years before requesting approval | | |
<table>
<thead>
<tr>
<th>Approved Persons category</th>
<th>Courses completed before approval</th>
<th>Courses to be completed after approval</th>
<th>Experience and other requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>(iii) Registered Representative dealing in options with retail clients</td>
<td>• The proficiency requirements of a Registered Representative dealing with retail clients under clause 2602(3)(i), AND • Both the Derivatives Fundamentals Course and the Options Licensing Course or Derivatives Fundamentals and Options Licensing Course or New Entrants Course, if previously registered with the Financial Industry Regulatory Authority in a similar capacity and dealing in options within three years before requesting approval, and Securities Industry Essentials Examination and Series 7 Examination administered by the Financial Industry Regulatory Authority</td>
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<td>(iv) Registered Representative dealing in options with institutional clients</td>
<td>• The proficiency requirements of a Registered Representative dealing with institutional clients under clause 2602(3) (ii), AND • Both the Derivatives Fundamentals Course and the Options Licensing Course or Derivatives Fundamentals and Options Licensing Course or New Entrants Course, if previously registered with the Financial Industry Regulatory Authority in a similar capacity and dealing in options within three years</td>
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<td>Approved Persons category</td>
<td>Courses completed before approval</td>
<td>Courses to be completed after approval</td>
<td>Experience and other requirements</td>
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<td>before requesting approval, and Securities Industry Essentials Examination and Series 7 Examination administered by the Financial Industry Regulatory Authority</td>
<td>• Futures Licensing Course, and Conduct and Practices Handbook Course AND • Derivatives Fundamentals Course or Derivatives Fundamentals and Options Licensing Course or Series 3 Examination administered by the Financial Industry Regulatory Authority (on behalf of the National Futures Association), if previously registered with the National Futures Association in a similar capacity and dealing in futures within three years before requesting approval</td>
<td>• The individual must upgrade to Registered Representative within 18 months of initial approval</td>
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<tr>
<td>(v) Registered Representative dealing with retail clients or institutional clients dealing in futures contracts or futures contract options</td>
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<tr>
<td>(vi) Registered Representative dealing in mutual funds only who is an employee of a firm registered as an investment dealer and not registered as a mutual fund dealer</td>
<td>• Canadian Securities Course or Canadian Investment Funds Course administered by the Investment Funds Institute of Canada or Investment Funds in Canada Course</td>
<td>• Canadian Securities Course and Conduct and Practices Handbook Course within 270 days of initial approval, and • 90-day training program within 18 months of initial approval</td>
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<tr>
<td>(vii) Registered Representative dealing in mutual funds only who is an employee of a firm registered as both an investment dealer and a mutual fund dealer</td>
<td>• Canadian Securities Course or Canadian Investment Funds Course administered by the Investment Funds Institute of Canada or Investment Funds in Canada Course</td>
<td></td>
<td>• Six months of supervision and supervisory reporting from initial approval date as Registered Representative</td>
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<tr>
<td>Approved Persons category</td>
<td>Courses completed before approval</td>
<td>Courses to be completed after approval</td>
<td>Experience and other requirements</td>
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<td>----------------------------------</td>
</tr>
<tr>
<td>(viii) Investment Representative dealing with retail clients (other than Investment Representatives dealing in options, futures contracts and futures contract options or dealing in mutual funds only)</td>
<td>AND 90-day training program after completion of the Canadian Securities Course or Canadian Investment Funds Course or Investment Funds in Canada Course</td>
<td></td>
<td>• Six months of supervision and supervisory reporting from initial approval date as an Investment Representative</td>
</tr>
<tr>
<td>(ix) Investment Representative dealing with institutional clients (other than Investment Representatives dealing in options, futures contracts and futures contract options or dealing in mutual funds only)</td>
<td>• Canadian Securities Course, or Level I or any higher level of the CFA Program administered by the CFA Institute, and Conduct and Practices Handbook Course and 30-day training program after completing the Canadian Securities Course or Level I or any higher level of the CFA Program. The Dealer Member must employ the applicant full-time during this program OR • New Entrants Course, if previously registered with a recognized foreign self-regulatory organization in a similar capacity within three years before requesting approval</td>
<td></td>
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</tr>
<tr>
<td>Approved Persons category</td>
<td>Courses completed before approval</td>
<td>Courses to be completed after approval</td>
<td>Experience and other requirements</td>
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</tr>
<tr>
<td>(x) <em>Investment Representative</em> dealing in options with <em>retail clients</em></td>
<td>• The proficiency requirements of an <em>Investment Representative</em> dealing with <em>retail clients</em> under clause 2602(3)(viii), <strong>AND</strong> • Both the Derivatives Fundamentals Course <em>and</em> the Options Licensing Course or Derivatives Fundamentals and Options Licensing Course, or New Entrants Course, if previously registered with the Financial Industry Regulatory Authority in a similar capacity and dealing in options within three years before requesting approval, <strong>and</strong> Securities Industry Essentials Examination and Series 7 Examination administered by the Financial Industry Regulatory Authority</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(xi) <em>Investment Representative</em> dealing in options with <em>institutional clients</em></td>
<td>• The proficiency requirements for an <em>Investment Representative</em> dealing with <em>institutional clients</em> under clause 2602(3)(ix), <strong>AND</strong> • Both the Derivatives Fundamentals Course and the Options Licensing Course or Derivatives Fundamentals and Options Licensing Course or New Entrants Course, if previously registered with the Financial Industry Regulatory Authority in a similar capacity and dealing in options within three years</td>
<td></td>
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</tr>
<tr>
<td>Approved Persons category</td>
<td>Courses completed before approval</td>
<td>Courses to be completed after approval</td>
<td>Experience and other requirements</td>
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</tr>
<tr>
<td>(xii) Investment Representative dealing in futures contracts or futures contract options with retail or institutional clients</td>
<td>before requesting approval, and Securities Industry Essentials Examination and Series 7 Examination administered by the Financial Industry Regulatory Authority</td>
<td>• Futures Licensing Course, and • Conduct and Practices Handbook Course AND • Derivatives Fundamentals Course or Derivatives Fundamentals and Options Licensing Course or Series 3 Examination administered by the Financial Industry Regulatory Authority (on behalf of the National Futures Association), if previously registered with the National Futures Association in a similar capacity and dealing in futures within three years before requesting approval</td>
<td></td>
</tr>
<tr>
<td>(xiii) Investment Representative dealing in mutual funds only who is an employee of a firm registered as an investment dealer and not registered as a mutual fund dealer</td>
<td>• Canadian Securities Course or Canadian Investment Funds Course administered by the Investment Funds Institute of Canada or Investment Funds in Canada Course</td>
<td>• Canadian Securities Course and Conduct and Practices Handbook Course within 270 days of initial approval, and • 30-day training program within 18 months of initial approval</td>
<td>• The individual must upgrade to Investment Representative within 18 months of initial approval</td>
</tr>
<tr>
<td>(xiv) Associate Portfolio Managers providing discretionary portfolio management for managed accounts</td>
<td>• Conduct and Practices Handbook Course, AND Canadian Investment Manager Designation or Chartered Investment Manager Designation</td>
<td></td>
<td>• Two years of relevant investment management experience acceptable to the Corporation within three years before requesting approval</td>
</tr>
</tbody>
</table>

Corporation Investment Dealer and Partially Consolidated Rules
<table>
<thead>
<tr>
<th>Approved Persons category</th>
<th>Courses completed before approval</th>
<th>Courses to be completed after approval</th>
<th>Experience and other requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>or</td>
<td>CFA Level I or any higher level of the CFA Program administered by the CFA Institute AND If managing accounts in options: • Both the Derivatives Fundamentals Course and the Options Licensing Course or Derivatives Fundamentals and Options Licensing Course or New Entrants Course, if previously registered with the Financial Industry Regulatory Authority in a similar capacity and dealing in options within three years before requesting approval, and Securities Industry Essentials Examination and Series 7 Examination administered by the Financial Industry Regulatory Authority AND If managing accounts in futures contracts/futures contract options, • Futures Licensing Course, AND Derivatives Fundamentals Course or Derivatives Fundamentals and Options Licensing Course or Series 3 Examination administered by the Financial Industry Regulatory Authority (on behalf of the National Futures Association), if previously registered with the National Futures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Approved Persons category</td>
<td>Courses completed before approval</td>
<td>Courses to be completed after approval</td>
<td>Experience and other requirements</td>
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</tr>
<tr>
<td>(xv) Portfolio Managers providing discretionary portfolio management for managed accounts</td>
<td>Association in a similar capacity and dealing in futures within three years before requesting approval</td>
<td>• Conduct and Practices Handbook Course, AND Canadian Investment Manager Designation or Chartered Investment Manager Designation or CFA Charter administered by the CFA Institute AND If managing accounts in options: • Both the Derivatives Fundamentals Course and the Options Licensing Course or Derivatives Fundamentals and Options Licensing Course or New Entrants Course, if previously registered with the Financial Industry Regulatory Authority in a similar capacity and dealing in options within three years before requesting approval, and Securities Industry Essentials Examination and Series 7 Examination administered by the Financial Industry Regulatory Authority AND If managing accounts in futures contracts/futures contract options: • Futures Licensing Course AND • Derivatives Fundamentals Course</td>
<td>If Canadian Investment Manager Designation or Chartered Investment Manager Designation is completed: • at least four years of relevant investment management experience; one year of which was gained within the three years before requesting approval acceptable to the Corporation or If CFA Charter is completed, at least one year of relevant investment management experience within the three years before requesting approval acceptable to the Corporation</td>
</tr>
<tr>
<td>Approved Persons category</td>
<td>Courses completed before approval</td>
<td>Courses to be completed after approval</td>
<td>Experience and other requirements</td>
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<td>---------------------------</td>
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</tr>
<tr>
<td>or</td>
<td>Derivatives Fundamentals and Options Licensing Course</td>
<td>or</td>
<td>Series 3 Examination administered by the Financial Industry Regulatory Authority (on behalf of the National Futures Association) if previously registered with National Futures Association in a similar capacity and dealing in futures within three years before requesting approval</td>
</tr>
</tbody>
</table>

### Traders

(xvi) **Trader**
- Trader Training Course, unless otherwise determined by the Marketplace on which the Trader will be trading

(xvii) **Trader on the Montréal Exchange**
- Proficiency requirements determined to be acceptable by the Montréal Exchange

### Supervisors – Retail or Institutional

(xviii) **Supervisor of Registered Representatives or Investment Representatives (other than supervising options or futures contracts and futures contract options)**
- Investment Dealer Supervisors Course AND
- Canadian Securities Course or CFA Level I or any higher level of the CFA Program administered by the CFA Institute and
- Conduct and Practices Handbook Course or New Entrants Course, if previously registered with a recognized foreign self-regulatory organization or an investment dealer within three years before requesting approval

(xix) **Supervisor of Registered Representatives or**
- Options Supervisors Course, and
- Two years of relevant experience working for an investment dealer or
- Two years of relevant experience working for a Mutual Fund Dealer, portfolio manager or entity governed by a recognized foreign self-regulatory organization or
- Such other equivalent experience acceptable to the Corporation

Series 2000 | Dealer Member Organization and Individual Approval Rules

Rule 2600
<table>
<thead>
<tr>
<th>Approved Persons category</th>
<th>Courses completed before approval</th>
<th>Courses to be completed after approval</th>
<th>Experience and other requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Representatives dealing with clients in options</td>
<td>Conduct and Practices Handbook Course AND • Both the Derivatives Fundamentals Course and the Options Licensing Course or Derivatives Fundamentals and Options Licensing Course, or New Entrants Course, if previously registered with the Financial Industry Regulatory Authority or an investment dealer and dealing in options within three years before requesting approval, and Securities Industry Essentials Examination and Series 7 Examination administered by the Financial Industry Regulatory Authority</td>
<td></td>
<td>for an investment dealer or Two years of relevant experience working for an entity governed by a recognized foreign self-regulatory organization or Such other equivalent experience acceptable to the Corporation</td>
</tr>
<tr>
<td>(xx) Supervisor of Registered Representatives or Investment Representatives dealing with clients in futures contracts and futures contract options</td>
<td>• Canadian Commodity Supervisors Exam and Futures Licensing Course and Conduct and Practices Handbook Course AND • Derivatives Fundamentals Course or Derivatives Fundamentals and Options Licensing Course or Series 3 Examination administered by the Financial Industry Regulatory Authority (on behalf of the National Futures Association), if previously registered with National Futures Association or an investment dealer and</td>
<td></td>
<td>• Two years of relevant experience working for an investment dealer or Two years of relevant experience working for an entity governed by a recognized foreign self-regulatory organization or Such other equivalent experience acceptable to the Corporation</td>
</tr>
<tr>
<td>Approved Persons category</td>
<td>Courses completed before approval</td>
<td>Courses to be completed after approval</td>
<td>Experience and other requirements</td>
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<tr>
<td></td>
<td>dealing in futures within three years before requesting approval</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Designated Supervisors</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| (xxi) Supervisor designated to be responsible for the opening of new accounts and supervision of account activity | • Investment Dealer Supervisors Course | • Two years of relevant experience working for an investment dealer  
  or  
  Two years of relevant experience working for an entity governed by a **recognized foreign self‐regulatory organization**  
  or  
  Such other equivalent experience acceptable to the **Corporation** |
| (xxii) Supervisor designated to be responsible for the supervision of **discretionary accounts** | • Investment Dealer Supervisors Course | • Two years of relevant experience working for an investment dealer  
  or  
  Two years of relevant experience working for an entity governed by a **recognized foreign self‐regulatory organization**  
  or  
  Such other equivalent experience acceptable to the **Corporation** |
| (xxiii) Supervisor designated to be responsible for the supervision of **managed accounts** | • Canadian Investment Manager Designation  
  or  
  Chartered Investment Manager Designation  
  or  
  If completed Canadian Investment Manager Designation or Chartered Investment Manager Designation: | • Two years of relevant experience working for an investment dealer  
  or  
  Two years of relevant experience working for an entity governed by a **recognized foreign self‐regulatory organization**  
  or  
  Such other equivalent experience acceptable to the **Corporation** |
<table>
<thead>
<tr>
<th>Approved Persons category</th>
<th>Courses completed before approval</th>
<th>Courses to be completed after approval</th>
<th>Experience and other requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CFA Charter administered by the CFA Institute AND • If supervising accounts in options, the applicable proficiency requirements to trade and supervise options, as specified under clause 2602(3)(xix) AND • If supervising accounts in futures contracts/futures contract options, the applicable proficiencies to trade and supervise futures, as specified under clause 2602(3)(xx)</td>
<td>at least four years of relevant investment management experience; one year of which was gained within the three years before requesting approval or If completed CFA Charter: at least one year of relevant investment management experience within the three years before requesting approval</td>
<td></td>
</tr>
<tr>
<td>(xxiv) Supervisor designated to be responsible for the supervision of options accounts</td>
<td>• Options Supervisors Course, and Both the Derivatives Fundamentals Course and the Options Licensing Course or Derivatives Fundamentals and Options Licensing Course or New Entrants Course, if previously registered with the Financial Industry Regulatory Authority or an investment dealer and dealing in options within three years before requesting approval, and Securities Industry Essentials Examination and Series 7 Examination administered by the Financial Industry Regulatory Authority</td>
<td>• Two years of relevant experience working for an investment dealer or Two years of relevant experience working for an entity governed by a recognized foreign self‐regulatory organization or Such other equivalent experience acceptable to the Corporation</td>
<td></td>
</tr>
<tr>
<td>(xxv) Supervisor designated to be responsible for the supervision of futures contract/futures contract options accounts</td>
<td>• Canadian Commodity Supervisors Exam and Futures Licensing Course, AND • Derivatives Fundamentals Course or</td>
<td>• Two years of relevant experience working for an investment dealer or Two years of relevant supervisory or compliance</td>
<td></td>
</tr>
<tr>
<td>Approved Persons category</td>
<td>Courses completed before approval</td>
<td>Courses to be completed after approval</td>
<td>Experience and other requirements</td>
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<tr>
<td></td>
<td>Derivatives Fundamentals and Options Licensing Course or Series 3 Examination administered by the Financial Industry Regulatory Authority (on behalf of the National Futures Association) if previously registered with the National Futures Association or an investment dealer and dealing in futures within three years before requesting approval</td>
<td></td>
<td>experience working for an entity governed by a recognized foreign self-regulatory organization or Such other equivalent experience acceptable to the Corporation</td>
</tr>
<tr>
<td>(xxvi) Supervisor designated to be responsible for the pre-approval of advertising, sales literature and correspondence</td>
<td>• Investment Dealer Supervisors Course</td>
<td></td>
<td>• Two years of relevant experience working for an investment dealer or Two years of relevant experience working for an entity governed by a recognized foreign self-regulatory organization or Such other equivalent experience acceptable to the Corporation</td>
</tr>
<tr>
<td>(xxvii) Supervisor designated to be responsible for the supervision of research reports</td>
<td>• Three levels of the CFA or CFA Charter administered by the CFA Institute or Other appropriate qualifications acceptable to the Corporation</td>
<td></td>
<td>• Two years of relevant experience working for an investment dealer or Two years of relevant experience working for an entity governed by a recognized foreign self-regulatory organization or Such other equivalent experience acceptable to the Corporation</td>
</tr>
<tr>
<td>Approved Persons category</td>
<td>Courses completed before approval</td>
<td>Courses to be completed after approval</td>
<td>Experience and other requirements</td>
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</tr>
<tr>
<td>Executives and Directors</td>
<td></td>
<td></td>
<td>acceptable to the Corporation</td>
</tr>
</tbody>
</table>

(xxviii) **Executive (including Ultimate Designated Person)**

- Partners, Directors and Senior Officers Course
- If seeking approval in a trading or advising category, the applicable proficiency requirements in that category
- If seeking approval as a *Supervisor*, the applicable proficiency requirements in that category

(xxix) **Director**

An industry *Director* must complete:

- Partners, Directors and Senior Officers Course,
- If seeking approval in a trading or advising category, the applicable proficiency requirements in that category,
- If seeking approval as a *Supervisor*, the applicable proficiency requirements in that category

A non-industry *Director* that owns or controls a voting interest of 10% or more, directly or indirectly, must complete:

- The Partners, Directors and Senior Officers Course

.xxx) **Chief Financial Officer**

- Partners, Directors and Senior Officers Course and
  - Chief Financial Officers Qualifying Examination
- A financial accounting designation, finance related university degree or diploma or equivalent work experience as may be
<table>
<thead>
<tr>
<th>Approved Persons category</th>
<th>Courses completed before approval</th>
<th>Courses to be completed after approval</th>
<th>Experience and other requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• If seeking approval in a trading or advising category, the applicable proficiency requirements in that category, AND • If seeking approval as a Supervisor, the applicable proficiency requirements in that category</td>
<td></td>
<td>acceptable to the Corporation</td>
</tr>
<tr>
<td>(xxxii) Chief Compliance Officer</td>
<td>• Partners, Directors and Senior Officers Course, and Chief Compliance Officers Qualifying Examination AND • If seeking approval in a trading or advising category, the applicable proficiency requirements in that category, AND If seeking approval as a Supervisor, the applicable proficiency requirements in that category</td>
<td></td>
<td>• Five years working for an investment dealer or registered advisor, with at least three years in a compliance or supervisory capacity or Three years providing professional services in the securities industry, with at least 12 months experience working at an investment dealer or registered advisor in a compliance or supervisory capacity</td>
</tr>
<tr>
<td>(xxxii) approved investor (under subsections 2555(2) and 2555(3))</td>
<td>• Partners, Directors and Senior Officers Course</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**2603. Permitted activities of mutual funds only Registered Representatives and Investment Representatives**

(1) An applicant for approval, or an individual approved, as a Registered Representative dealing in mutual funds only, or an Investment Representative dealing in mutual funds only, will be also permitted to trade in exchange-traded funds that meet the definition of a mutual fund provided the individual:

(i) was permitted to trade in exchange-traded funds within the 90 days prior to these Rules coming into effect, or

(ii) complies with the relevant proficiency requirements in clauses 2602(3)(vi), 2602(3)(vii) and 2602(3)(xiii), and has successfully completed one of the following within the timeline prescribed in subsection 2628(1):
(a) the ETFs for Mutual Fund Representatives course administered by CSI Global Education Inc., or
(b) the Exchange Traded Funds course administered by the Investment Funds Institute of Canada, or
(c) the Exchange Traded Funds for Mutual Fund Representatives course administered by the Smarten Up Institute.

(2) An applicant for approval, or an individual approved, as a Registered Representative dealing in mutual funds only, or an Investment Representative dealing in mutual funds only, will be also permitted to trade in exempt market products provided the individual:

(i) was permitted to trade in exempt market products within the 90 days prior to these Rules coming into effect, or

(ii) complies with the relevant proficiency requirements in clauses 2602(3)(vi), 2602(3)(vii) and 2602(3)(xiii), and has successfully completed one of the following within the timeline prescribed in subsection 2628(1):

(a) the Exempt Markets Proficiency Course administered by the IFSE Institute, or
(b) the Canadian Securities Course, or
(c) Level I or any higher level of the CFA Program administered by the CFA Institute.

(3) The following terms have the meaning set out below when used in subsection 2603(4):

<table>
<thead>
<tr>
<th>“alternative mutual fund”</th>
<th>The same meaning as the definition in National Instrument 81-102, Investment Funds.</th>
</tr>
</thead>
<tbody>
<tr>
<td>“bridge course”</td>
<td>Either:</td>
</tr>
<tr>
<td></td>
<td>(i) the Investing in Alternative Mutual Funds and Hedge Funds course administered by the IFSE Institute, or</td>
</tr>
<tr>
<td></td>
<td>(ii) the Hedge Funds and Liquid Alternatives for Mutual Fund Representatives course administered by CSI Global Education Inc.</td>
</tr>
</tbody>
</table>

(4) An applicant for approval, or an individual approved, as a Registered Representative dealing in mutual funds only, or an Investment Representative dealing in mutual funds only, will be also permitted to trade in alternative mutual funds provided the individual:

(i) was permitted to trade in alternative mutual funds within the 90 days prior to these Rules coming into effect, or

(ii) complies with the relevant proficiency requirements in clauses 2602(3)(vi), 2602(3)(vii) and 2602(3)(xiii), and has successfully completed one of the following within the timeline prescribed in subsection 2628(1):

(a) the bridge course, or
(b) the Derivatives Fundamentals Course, or
(c) the Canadian Securities Course, or
(d) the courses required to be registered as a Portfolio Manager – Advising Representative pursuant to section 3.11 of National Instrument 31-103, Registration Requirement, Exemptions and Ongoing Registrant Obligations.
PART B - EXEMPTIONS FROM PROFICIENCY REQUIREMENTS

2625. Specific exemptions

(1) A Chief Compliance Officer seeking approval as a Supervisor of a producing Supervisor will not be required to complete the proficiencies required under 2602(3)(xviii) for the purposes of being approved in this capacity, if the producing Supervisor is an Approved Person who is:
   (i) a Supervisor of a Registered Representative or Investment Representative and
   (ii) actively engaged as a Registered Representative dealing with retail clients.

(2) An applicant seeking approval as a Supervisor in relation to activities of individuals approved to deal in mutual funds only, including those in subsections 2603(1) and 2603(2), is exempt from the pre-approval course requirements in clauses 2602(3)(xviii) and 2602(3)(xxi) provided the individual:
   (i) was designated by a member of the Mutual Fund Dealers Association of Canada as a branch manager, within 90 days prior to these Rules coming into effect, or
   (ii) has successfully completed the following within the timelines prescribed in subsection 2628(1):
      (a) instead of the Canadian Securities Course, either the:
          (I) Canadian Investment Funds Course administered by the Investment Funds Institute of Canada, or
          (II) Investment Funds in Canada Course.
      (b) instead of the Investment Dealers Supervisors Course, either the:
          (I) Mutual Fund Branch Managers’ Examination Course administered by the Investment Funds Institute of Canada, or
          (II) Branch Compliance Officers Course.

(3) With the exception of individuals who were required to transition to the Portfolio Manager and Associate Portfolio Manager approval categories, individuals approved prior to December 31, 2021 are exempt from any new proficiency requirements introduced as at December 31, 2021 in subsection 2602(3), provided the Approved Person continues in the same role.

2626. General and discretionary exemptions

(1) The Corporation may exempt any person or class of persons from the requirement to write or rewrite any required course, in whole or in part, if the applicant demonstrates adequate experience, and/or successful completion of courses or examinations that the Corporation, in its opinion, determines is an acceptable alternative to the required proficiency.

(2) This exemption may be subject to any terms and conditions the Corporation believes necessary.

(3) The applicant must pay any fees prescribed by the Board for this exemption.

2627. Exemptions from writing the required courses

(1) As set out in the table below, an applicant or Approved Person is exempt from writing a required course if the applicant meets the exemption criteria.
<table>
<thead>
<tr>
<th>Required course</th>
<th>Course required for exemption</th>
<th>Exemption criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>90-day Training Program</td>
<td>• none</td>
<td>Request approval within three years of being approved or registered in a capacity allowing trading of, or advising in, securities for <em>retail clients</em> either:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• by a recognized foreign regulatory authority or recognized foreign self-regulatory organization, or</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• as an advising representative by a Canadian securities regulatory authority</td>
</tr>
<tr>
<td>30-day Training Program</td>
<td>• none</td>
<td>Request approval within three years of being approved or registered in a capacity allowing trading of, or advising in, securities for <em>retail clients</em> either:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• by a recognized foreign regulatory authority or recognized foreign self-regulatory organization, or</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• as an advising representative by a Canadian securities regulatory authority</td>
</tr>
</tbody>
</table>

2628. **Course validity and exemptions from rewriting courses**

(1) Courses are valid for three years from the date of successful completion.

(2) An applicant for approval must rewrite a course if the applicant has not been approved in a category listed in subsection 2602(3) requiring the course within the last three years.

(3) The courses and examinations listed in Rule 2600 includes every prior or successor course or examination provided that it does not have a significantly reduced scope and content when compared to the course or examination listed in Rule 2600, as determined by the Corporation.

(4) For the purposes of determining course validity, an Approved Person is not considered to have been approved during any period in which the Approved Person’s approval was suspended or the individual was on leave or not conducting any activities requiring Corporation approval on behalf of the Dealer Member.

(5) The validity periods do not apply to the Canadian Investment Manager Designation, the Chartered Investment Manager Designation and the CFA Charter provided the holders of these designations continue to have the right to use the designation and the designation has not been revoked or otherwise restricted.
An *individual* is exempt from rewriting the courses as set out in the table below if the *individual* has met the current status criteria and exemption criteria.

<table>
<thead>
<tr>
<th>Course</th>
<th>Individual’s current status</th>
<th>Exemption criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partners, Directors and Senior Officers Course</td>
<td>• has previously been approved as an <em>officer</em> (prior to September 28, 2009) and surrendered registration with the introduction of the <em>Corporation</em> approval category of Executive</td>
<td>• applicant for approval who has maintained continuous employment with a <em>Dealer Member</em> in a senior capacity and remained in the corporate registry of a <em>Dealer Member</em> as an <em>officer</em> since September 28, 2009</td>
</tr>
<tr>
<td>Chief Financial Officers Qualifying Examination</td>
<td>• has never been approved as a <em>Chief Financial Officer</em></td>
<td>• the applicant for approval has demonstrated to the <em>Corporation’s</em> satisfaction that the applicant has been working closely with and assisting the <em>Chief Financial Officer</em> since the completion of the Chief Financial Officers Qualifying Examination</td>
</tr>
<tr>
<td>Derivatives Fundamentals Course</td>
<td>• an applicant for approval or an <em>Approved Person</em> who will be dealing with clients in <em>futures contracts</em>, <em>futures contract options</em> or supervising <em>Approved Persons</em> who deal with such clients</td>
<td>• applicant seeking approval or filing a notice within three years of passing the Futures Licensing Course or the Canadian Commodity Supervisors Exam</td>
</tr>
<tr>
<td>Derivatives Fundamentals Course</td>
<td>• an applicant for approval or an <em>Approved Person</em> dealing with clients, in <em>options</em>, or supervising <em>Approved Persons</em> who deal with such clients</td>
<td>• applicant seeking approval or filing a notice within three years of completing the Options Licensing Course or the Options Supervisors Course</td>
</tr>
<tr>
<td>Wealth Management Essentials Course</td>
<td>• an applicant for approval or an <em>Approved Person</em> who will be dealing with <em>retail clients</em> in <em>securities</em></td>
<td>• all three levels of the CFA Program or the CFA Charter administered by the CFA Institute which continues to be in good standing</td>
</tr>
<tr>
<td>90-day Training Program</td>
<td>• an applicant for approval or an <em>Approved Person</em></td>
<td>Applicants seeking approval or filing a notice within three years</td>
</tr>
<tr>
<td>Course</td>
<td>Individual’s current status</td>
<td>Exemption criteria</td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>---------------------------------------------</td>
<td>-----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td>of being approved or registered in a capacity allowing trading of, or advising in, securities for retail clients either:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• by a recognized foreign regulatory authority or recognized foreign self-regulatory organization, or</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• as an advising representative by a securities regulatory authority</td>
</tr>
<tr>
<td>30-day Training Program</td>
<td>• an applicant for approval or Approved Person</td>
<td>Applicants seeking approval or filing a notice within three years of being approved or registered in a capacity allowing trading of, or advising in, securities for retail clients either:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• by a recognized foreign regulatory authority or recognized foreign self-regulatory organization, or</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• as an advising representative by a securities regulatory authority</td>
</tr>
</tbody>
</table>

2629. Reserved

2630. Transition of Advising Representatives and Associate Advising Representatives into the Portfolio Manager and Associate Portfolio Manager approval category

(1) An individual registered as an advising representative or associate advising representative by a securities regulatory authority within the two weeks prior to the date of approval as a Portfolio Manager or Associate Portfolio Manager by the Corporation has three months to complete the Conduct and Practices Handbook Course.

(2) The Corporation will:

   (i) automatically suspend the approval of the Portfolio Manager or Associate Portfolio Manager if he or she does not complete the Conduct and Practices Handbook Course within the timeframe set out in 2630(1), and
(ii) reinstate the *Portfolio Manager* or *Associate Portfolio Manager* once he or she has successfully completed the Conduct and Practices Handbook Course and has notified the *Corporation*.

**PART C - TRANSITION PROVISIONS**

**2631. Transition of individuals dealing in mutual funds only**

(1) For the purpose of complying with the requirements in clause 2602(3)(vi) or clause 2602(3)(xiii),

(i) an *individual* approved as a *Registered Representative* dealing in mutual funds only, or an *Investment Representative* dealing in mutual funds only as of the date these Rules come into effect, will have 270 days to complete the Conduct and Practices Handbook Course (and, if required, the Canadian Securities Course) unless the *individual* is subject to a shorter period of time to complete this course (these courses) as of the date these Rules come into effect.

(ii) an *individual* approved as a dealing representative for a mutual fund dealer within 90 days prior to the date these Rules come into effect, will have 270 days from the date of approval as a *Registered Representative* dealing in mutual funds only, or an *Investment Representative* dealing in mutual funds only, to complete the Conduct and Practices Handbook Course.

**2632. – 2699. Reserved.**
RULE 2700 | CONTINUING EDUCATION REQUIREMENTS FOR APPROVED PERSONS

2701. Introduction

(1) The Corporation requires Approved Persons to meet continuing education requirements to enhance and further develop their baseline licensing proficiencies.

(2) Rule 2700 is divided into the following parts:
   Part A – The continuing education program and continuing education requirements [sections 2703 and 2704]
   Part B – Continuing education program courses and administration [sections 2715 through 2717]
   Part C – Participation in the continuing education program [sections 2725 and 2726]
   Part D – Changes during a continuing education program cycle [section 2735]
   Part E – Discretionary relief [section 2745]
   Part F – Penalties applicable to the continuing education requirements for Approved Persons [section 2755]

2702. Definitions

(1) The following terms have the meaning set out below when used in sections 2703 through 2799:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>“continuing education course”</td>
<td>A single, integrated course or series of relevant courses, seminars, programs or presentations that together meet the time and content requirements for continuing education set out in Rule 2700.</td>
</tr>
<tr>
<td>“continuing education participant”</td>
<td>An Approved Person approved in one or more of the categories set out in subsection 2704(1).</td>
</tr>
<tr>
<td>“continuing education program”</td>
<td>The Corporation’s continuing education program, consisting of compliance and professional development requirements.</td>
</tr>
</tbody>
</table>

PART A - THE CONTINUING EDUCATION PROGRAM AND CONTINUING EDUCATION REQUIREMENTS

2703. The continuing education program

(1) The continuing education program consists of two parts:
   (i) a compliance course, which is training covering ethical issues, regulatory developments and rules governing investment dealer conduct, and
   (ii) a professional development course, which is training that fosters learning and development in areas relevant to investment dealer business.

(2) The continuing education program operates in two year cycles. The first two year cycle commenced on January 1, 2018. The beginning and end of each continuing education program cycle is the same for all continuing education participants.
(3) A Dealer Member or external course provider may provide a continuing education course.

(4) A Dealer Member or external course provider may submit continuing education courses for accreditation through the Corporation’s accreditation process.

(5) A continuing education participant is exempt from the professional development course requirement if he or she:

(i) is approved in the category of Registered Representative or Supervisor, and
(ii) has been continuously approved in a trading capacity since January 1, 1990 or earlier by the Corporation, the Toronto Stock Exchange, the Montreal Exchange, or the TSX Venture Exchange including any of its predecessors.

(6) A continuing education participant cannot receive continuing education credits for the same continuing education course unless the course has been updated to contain new course content, with the exception of ethics courses referred to in subsection 2715(3).

### 2704. Continuing education requirements

(1) In each continuing education program cycle, a continuing education participant must meet the continuing education requirements for the applicable Approved Person category, regardless of product type, as set out in the following table.

<table>
<thead>
<tr>
<th>Approved Person Category</th>
<th>Client Type</th>
<th>Compliance course requirement</th>
<th>Professional development requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registered Representative</td>
<td>retail client</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Registered Representative</td>
<td>institutional client</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Investment Representative</td>
<td>retail client or institutional client</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Portfolio Manager</td>
<td>retail client or institutional client</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Associate Portfolio Manager</td>
<td>retail client or institutional client</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Trader</td>
<td>N/A</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Supervisor of Registered Representatives</td>
<td>retail client</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Supervisor of Investment Representatives</td>
<td>retail client</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Supervisor of Registered Representatives or Investment Representatives</td>
<td>institutional client</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Supervisor designated to be responsible for the supervision of options accounts</td>
<td>retail client or institutional client</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Approved Person Category</td>
<td>Client Type</td>
<td>Compliance course requirement</td>
<td>Professional development requirement</td>
</tr>
<tr>
<td>--------------------------</td>
<td>-------------</td>
<td>-------------------------------</td>
<td>-------------------------------------</td>
</tr>
<tr>
<td>Supervisor designated to be responsible for the supervision of futures contract/futures contract options accounts</td>
<td>retail client or institutional client</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Supervisor designated to be responsible for the supervision of managed accounts</td>
<td>retail client or institutional client</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Supervisor designated to be responsible for the supervision of new accounts and supervision of account activity</td>
<td>retail client or institutional client</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Supervisor designated to be responsible for the supervision of discretionary accounts</td>
<td>retail client or institutional client</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Supervisor designated to be responsible for the pre-approval of advertising, sales literature and correspondence</td>
<td>N/A</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Supervisor designated to be responsible for the supervision of research reports</td>
<td>N/A</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Ultimate Designated Person</td>
<td>N/A</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Chief Compliance Officer</td>
<td>N/A</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

(2) Registered Representatives dealing in mutual funds only who are an employee of a firm registered as both an investment dealer and a mutual fund dealer:

(i) are not subject to and do not need to comply with the Registered Representative continuing education requirements set out in subsection 2704(1), and

(ii) are subject to and must comply with the continuing education requirements for individuals registered as a dealing representative set out in Mutual Fund Dealer Rule 900.

(3) A continuing education participant registered in more than one Approved Person category must meet the continuing education requirements of the category with the most onerous continuing education requirements.

(4) All continuing education participants must complete at least 10 hours of compliance courses in each continuing education program cycle.

(5) A continuing education participant that is subject to professional development requirements must complete at least 20 hours of professional development courses in each continuing education program cycle.
PART B – CONTINUING EDUCATION PROGRAM COURSES AND ADMINISTRATION

2715. The compliance course

(1) A continuing education participant:
   (i) cannot carry forward compliance course credits to satisfy continuing education requirements of a subsequent continuing education program cycle,
   (ii) may receive continuing education credit for a compliance course with an examination, only if the continuing education participant successfully passes the examination, and
   (iii) may receive continuing education credit of a maximum of five hours for compliance continuing education courses offered by a foreign securities dealer or foreign external course provider.

(2) A Dealer Member may give continuing education credit for Dealer Member compliance manual training where:
   (i) the content of the compliance manual training satisfies clause 2703(1)(i), and
   (ii) the compliance manual training is delivered by the Dealer Member through in-person seminars, or webinars that are accompanied by a method of evaluation.

(3) The Corporation will publish a list of approved ethics courses that a continuing education participant can repeat and count towards fulfillment of the compliance course requirement in two continuing education program cycles.

2716. The professional development course

(1) A continuing education participant subject to the professional development requirement:
   (i) may carry forward a maximum of 10 hours of a single professional development course completed in the last six months of the current continuing education program cycle to satisfy a portion of his or her professional development course requirement in the following continuing education program cycle,
   (ii) may receive continuing education credit for successful completion of the Wealth Management Essentials Course, where completed to satisfy the post-licensing requirement for Registered Representatives dealing with retail clients, in the continuing education program cycle in which the course is completed, and
   (iii) may receive continuing education credit for a professional development course with an examination, only if the continuing education participant successfully passes the examination.

2717. Dealer Member’s administration of the continuing education program

(1) A Dealer Member must:
   (i) keep evidence of a continuing education participant’s completion of the continuing education course, which may be a certificate issued by the course provider, an attendance sheet, or bulk notice of completion,
(ii) verify completion of a continuing education course and keep continuing education program records, including course related materials, for each continuing education program cycle for a minimum of seven years following the end of the continuing education program cycle,

(iii) designate an individual responsible for supervising training and approving a continuing education participant’s chosen continuing education course,

(iv) ensure that a continuing education participant’s chosen continuing education course satisfies the content criteria described in subsection 2703(1),

(v) where the continuing education course is delivered by the Dealer Member, evaluate a continuing education participant’s knowledge and understanding of the course,

(vi) ensure that each continuing education participant meets the continuing education requirements during each continuing education program cycle, and

(vii) update the continuing education reporting system and notify the Corporation within 10 business days after the end of the continuing education program cycle of all continuing education participants that have met their continuing education requirements in the continuing education program cycle.

(2) A Dealer Member may allow a continuing education participant to use the continuing education credits earned through courses or seminars completed at the continuing education participant’s former sponsoring Dealer Member. A Dealer Member may accept a statement of completion issued by the continuing education participant’s former sponsoring Dealer Member.

2718. – 2724. Reserved.

PART C – PARTICIPATION IN THE CONTINUING EDUCATION PROGRAM

2725. Participation of recently Approved Persons

(1) An individual enters the continuing education program cycle upon approval in an Approved Person category listed in subsection 2704(1).

(2) Notwithstanding subsection 2725(1), an individual that receives approval in an Approved Person category listed in subsection 2704(1) during the last six months of the current continuing education program cycle will become subject to the applicable continuing education requirements at the beginning of the next continuing education program cycle.

2726. Voluntary participation in the continuing education program

(1) Voluntary participation in the continuing education program will extend the validity period of the Canadian Securities Course. This extension is valid until the end of the sixth month of the next continuing education program cycle.

(2) The Corporation will publish a list of courses that qualify for voluntary participation in the continuing education program.

(3) A former Approved Person may voluntarily participate in the continuing education program by completing a course or courses on the list referred to in subsection 2726(2).

(4) To extend the validity period, a former Approved Person must complete the course or courses on the list referred to in subsection 2726(2) in the continuing education program cycle in which the Canadian Securities Course expired.
A former Approved Person may voluntarily participate in the continuing education program to extend the validity of the Canadian Securities Course for only one continuing education program cycle.

2727. – 2734. Reserved.

PART D - CHANGES DURING A CONTINUING EDUCATION PROGRAM CYCLE

2735. Changes to Approved Persons category during a continuing education program cycle

(1) A continuing education participant who changes his or her Approved Person category during a continuing education program cycle must complete the continuing education requirements applicable to the new Approved Person category in the same continuing education program cycle.

(2) Notwithstanding subsection 2735(1), a continuing education participant who changes his or her Approved Person category during the last six months of the current continuing education program cycle, becomes subject to the applicable continuing education requirements of the new Approved Person category at the beginning of the next continuing education program cycle.

(3) A continuing education participant may not change Approved Person categories to avoid continuing education requirements or penalties for non-completion of continuing education requirements. Any change to the Approved Person category during the last six months of the continuing education program cycle which results in less onerous continuing education requirements must be accompanied by an explanation from the sponsoring Dealer Member sufficient to satisfy the Corporation that the category change is not an avoidance measure.

2736. – 2744. Reserved.

PART E – DISCRETIONARY RELIEF

2745. Discretionary Relief

(1) The Corporation may extend the time a continuing education participant has to complete any continuing education course beyond the two year continuing education program cycle due to, but not limited to, an illness if:  
   (i) an Executive at the continuing education participant’s sponsoring Dealer Member:  
      (a) approves the extension,  
      (b) notifies the Corporation of the reason for the extension, and  
      (c) proposes the new date of completion of the required course,  
   and  
   (ii) the Corporation approves the request for an extension.

(2) In the case of an indefinite leave of absence, the Corporation may exempt from the continuing education program a continuing education participant who is unable to complete his or her continuing education requirements due to, but not limited to an illness, for more than one continuing education program cycle if:  
   (i) an Executive at the continuing education participant’s sponsoring Dealer Member:  
      (a) approves the exemption,  
      (b) notifies the Corporation of the reason for the exemption, and
(c) states that the leave is for an indefinite period,
and
(ii) the Corporation approves the request for an exemption.

(3) A continuing education participant who is granted an exemption under subsection 2745(2) and returns to the industry after an absence of:
(i) three years or less must have the Corporation determine the continuing education requirements before he or she resumes any activity that needs approval, or
(ii) more than three years must meet the applicable proficiency and registration requirements for his or her Approved Person category.

2746. – 2754. Reserved.

PART F - PENALTIES APPLICABLE TO THE CONTINUING EDUCATION REQUIREMENTS FOR APPROVED PERSONS

2755. Penalties for late filing or not completing continuing education requirements in a continuing education program cycle

(1) On the last business day of the first month of a continuing education program cycle, the Corporation will automatically suspend the approval of the continuing education participant if:
(i) a continuing education participant fails to complete the continuing education requirements for the previous continuing education program cycle, or
(ii) the sponsoring Dealer Member fails to update the continuing education reporting system and notify the Corporation as required by clause 2717(1)(vii).

(2) A sponsoring Dealer Member that fails to comply with the requirements of clause 2717(1)(vii) will be liable for and pay the Corporation such fees as the Board may prescribe from time to time.

(3) The Corporation may reinstate the continuing education participant’s approval after the sponsoring Dealer Member has notified the Corporation in writing that the continuing education participant has completed the continuing education requirements.

(4) If a sponsoring Dealer Member pays a fine in error, the Corporation will issue a refund provided the Dealer Member requests a refund within 120 days of the date the invoice is issued by the Corporation.

2756. – 2799. Reserved.
2801. Introduction

(1) A Dealer Member must participate in the National Registration Database (defined in subsection 2802(1)).

(2) A Dealer Member must ensure timely and accurate filings on the National Registration Database.

2802. Definitions

(1) The following terms have the meaning set out below when used in sections 2803 through 2808:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;authorized firm representative&quot;</td>
<td>For a Dealer Member, an individual with his or her own National Registration Database user identification and who is authorized by the Dealer Member to submit information in National Registration Database format for that Dealer Member and individual applicants with respect to whom the Dealer Member is the sponsoring Dealer Member.</td>
</tr>
<tr>
<td>&quot;chief authorized firm representative&quot;</td>
<td>For a Dealer Member filer, an individual who is an authorized firm representative and has accepted an appointment as a chief authorized firm representative by the Dealer Member.</td>
</tr>
<tr>
<td>&quot;National Registration Database&quot;</td>
<td>The online electronic database of registration and approval information regarding Dealer Members, their registered or Approved Persons and other firms and individuals registered under securities laws, and includes the computer system providing for the transmission, receipt, review and dissemination of that registration information by electronic means including, any successor database.</td>
</tr>
<tr>
<td>&quot;National Registration Database account&quot;</td>
<td>An account with a member of the Canadian Payments Association from which fees may be paid with respect to National Registration Database by electronic pre-authorized debit.</td>
</tr>
<tr>
<td>&quot;National Registration Database Administrator&quot;</td>
<td>The Alberta Securities Commission or a successor appointed by the securities regulatory authorities to operate the National Registration Database.</td>
</tr>
<tr>
<td>&quot;National Registration Database format&quot;</td>
<td>The electronic format for submitting information through the National Registration Database website.</td>
</tr>
<tr>
<td>&quot;National Registration Database submission&quot;</td>
<td>The information that is submitted under securities laws, securities directions or under Rule 2800, in the National Registration Database format, or the act of submitting information under securities laws, securities directions or under Rule 2800, in the National Registration Database format, as the context requires.</td>
</tr>
<tr>
<td>&quot;National Registration Database website&quot;</td>
<td>The website operated by the National Registration Database Administrator for the National Registration Database submissions.</td>
</tr>
</tbody>
</table>

2803. Dealer Member obligations for the National Registration Database

(1) A Dealer Member must, as prescribed by the applicable securities laws:

(i) enroll in the National Registration Database and pay the enrollment fee to the securities regulatory authority in the Dealer Member’s principal jurisdiction,

(ii) enroll, with the National Registration Database Administrator, only one chief authorized firm representative responsible for the Dealer Member's National Registration Database filings,
(iii) notify the National Registration Database Administrator, of the appointment of a new chief authorized firm representative within seven days of the appointment,

(iv) notify the National Registration Database Administrator, of any change in name, phone number, fax number or email address of the chief authorized firm representative within seven days of the change,

(v) maintain only one National Registration Database account, and

(vi) submit through the National Registration Database any change of an authorized firm representative who is not the chief authorized firm representative, within seven days.

(2) The following list describes the submission requirements as prescribed by securities laws.

(i) A Dealer Member must make the following submissions using the National Registration Database on the National Registration Database form specified, within the time period prescribed by National Instrument 33-109.

<table>
<thead>
<tr>
<th>Type of submission</th>
<th>Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) an application for approval of an individual under any Corporation requirement</td>
<td>Form 33-109F4 - Registration of Individuals and Review of Permitted Individuals</td>
</tr>
<tr>
<td>(b) a notification of any change in the type of business which an Approved Person will conduct</td>
<td>Form 33-109F2 - Change or Surrender of Individual Categories</td>
</tr>
<tr>
<td>(c) (I) an application for different or additional approval under Corporation requirements for any Approved Person, (II) a surrender of existing approval</td>
<td>Form 33-109F2 - Change or Surrender of Individual Categories</td>
</tr>
<tr>
<td>(d) a report of a change of information regarding an Approved Person previously submitted in Form 33-109F4</td>
<td>Form 33-109F5 - Change of Registration Information</td>
</tr>
<tr>
<td>(e) an application for an exemption from a proficiency requirement of section 2602 for an Approved Person or applicant for approval</td>
<td>“Apply for an Exemption” submission on the National Registration Database</td>
</tr>
<tr>
<td>(f) a notification by a Dealer Member of the end of an employee’s Approved Person status</td>
<td>Form 33-109F1 - Notice of End of Individual Registration or Permitted Individual Status</td>
</tr>
<tr>
<td>(g) a notification of a business location opening or closing under section 2202</td>
<td>Form 33-109F3 - Business locations other than head office</td>
</tr>
<tr>
<td>(h) a notification of change of address, type of location or supervision of any business location</td>
<td>Form 33-109F3 - Business locations other than head office</td>
</tr>
<tr>
<td>(i) notification of reinstatement of individual approval.</td>
<td>Form 33-109F7 - Reinstatement of Registered Individuals and Permitted Individuals (see section 2808 for eligible criteria before making this filing).</td>
</tr>
</tbody>
</table>

(ii) Before filing a notice of change of business type under sub-clause 2803(2)(i)(b) above, an Dealer Member must notify the Corporation through the National Registration Database that either:
(a) the Approved Person has completed the necessary proficiency requirements under section 2602(3) to undertake the type of business, or

(b) the Approved Person has been granted an exemption from the proficiency requirements under sections 2625 through 2628.

2804. Temporary hardship exemption

(1) A Dealer Member that cannot file a document in the National Registration Database format within the time required under subsection 2803(2) because of unexpected technical problems must submit the document outside of the National Registration Database within seven days of the required filing date.

(2) When submitting outside of the National Registration Database under subsection 2804(1), the Dealer Member must include the following text at the top of the first page of the submission in capital letters:

“IN ACCORDANCE WITH SECTION 2804 OF THE CORPORATION INVESTMENT DEALER AND PARTIALLY CONSOLIDATED RULES AND PART 5 OF NATIONAL INSTRUMENT 31-102 NATIONAL REGISTRATION DATABASE, WE ARE SUBMITTING THIS [SPECIFY DOCUMENT] OUTSIDE OF NATIONAL REGISTRATION DATABASE UNDER A TEMPORARY HARDSHIP EXEMPTION.”

(3) As soon as practicable, but within fourteen days after the unexpected technical problems have been fixed, a Dealer Member must resubmit using the National Registration Database format the information filed outside of the National Registration Database under subsection 2804(1).

2805. Due diligence and record keeping

(1) A Dealer Member must make reasonable efforts to ensure that the information submitted through the National Registration Database is true and complete.

(2) A Dealer Member must keep all documents used to meet its obligation under subsection 2805(1) for seven years after the individual ceases to be an Approved Person of the Dealer Member, or in any case when an individual who applied for approval was refused or withdrawn.

(3) A Dealer Member must record the National Registration Database submission number on any document kept under subsection 2805(2).

(4) For recently approved individuals, a Dealer Member must obtain, within 60 days of approval, a copy of the most recent Form 33-109F1 issued in respect of the individual by the former sponsoring Dealer Member.

2806. Fees

(1) A Dealer Member must pay, the annual National Registration Database system fee set by the Corporation, to the securities regulatory authority in the local jurisdiction by electronic pre-authorized debit through the National Registration Database.

(2) The following fees must be submitted as prescribed by securities laws and Corporation requirements:

(i) a Dealer Member making any National Registration Database submission under section 2803 must pay the prescribed fees for the submission, together with the National
Corporation Investment Dealer and Partially Consolidated Rules

Registration Database system fee, to the securities regulatory authority in the Dealer Member’s local jurisdiction for the use of the National Registration Database,

(ii) a Dealer Member must pay any prescribed fees for failure to file any notification within the time specified, and

(iii) a Dealer Member is required to pay all fees payable under section 2806 through its National Registration Database account by pre-authorized electronic debit.

(3) A Dealer Member making an application for a proficiency exemption, for an Approved Person or applicant for approval, will be liable for and pay the Corporation an exemption request fee as prescribed from time to time by the Board.

2807. Cessation of Approved Person status

(1) A Dealer Member must notify the Corporation of the cessation of an individual’s status as an Approved Person, within the time period and the manner prescribed in National Instrument 33-109.

(2) Approval of an individual will end if:
   (i) the individual ceases to be an Approved Person with a Dealer Member, or
   (ii) the approved agency relationship with a Dealer Member is terminated.

(3) A Dealer Member must upon receiving a request from an individual that was its former Approved Person, provide to the individual a copy of the Form 33-109F1 that the Dealer Member submitted under subsection 2807(1) in respect of that individual, within the time period prescribed by National Instrument 33-109.

(4) If a Dealer Member completed and submitted the information in item five of Form 33-109F1 in respect of an individual who made a request under subsection 2807(3) and that information was not included in the initial copy provided to the individual, the Dealer Member must provide to that individual a further copy of the completed Form 33-109F1, including the information in item five,, within the time period prescribed by National Instrument 33-109.

2808. Reinstatement of Approved Persons

(1) An individual may be reinstated in the same Approved Person category or categories by submitting a completed Form 33-109F7, provided the conditions in Form 33-109F7 and National Instrument 33-109 are satisfied.

2809. – 2999. Reserved.
RULE 3100 | DEALING WITH CLIENTS

3101. Introduction
(1) Rule 3100 sets out a Dealer Member’s obligations with respect to their dealings with their clients. The requirements are intended to underpin the Corporation’s objectives of maintaining investor confidence in securities markets and reinforcing a Dealer Member’s responsibility to observe high standards of ethics and conduct in their dealings with clients.

(2) Rule 3100 is divided into the following parts:
   Part A – Business Conduct
   [section 3102]
   Part B – Conflicts of interest
   [sections 3110 through 3118]
   Part C – Best execution of client orders
   [sections 3119 through 3129]
   Part D – Client identifiers
   [section 3140]

PART A – BUSINESS CONDUCT

3102. Business conduct
(1) A Dealer Member must ensure that it handles its clients’ business within the bounds of ethical conduct, consistent with just and equitable principles of trade, and in a manner that is not detrimental to the interests of the investing public and the securities industry.

(2) A Dealer Member must take reasonable steps to ensure that all orders or recommendations for any account are within the bounds of good business practice.

3103. – 3109. Reserved.

PART B – CONFLICTS OF INTEREST

3110. Responsibility to identify conflicts of interest
(1) A Dealer Member must take reasonable steps to identify existing material conflicts of interest, and material conflicts of interest that are reasonably foreseeable:
   (i) between the Dealer Member and the client, and
   (ii) between each Approved Person acting on the Dealer Member’s behalf and the client.

(2) An Approved Person must take reasonable steps to identify existing material conflicts of interest, and material conflicts of interest that are reasonably foreseeable, between the Approved Person and the client.

(3) If an Approved Person identifies a material conflict of interest under subsection 3110(2), the Approved Person must promptly report that conflict of interest to the Dealer Member.
3111. Approved Person responsibility to address conflicts of interest

(1) An Approved Person must address all material conflicts of interest between the client and the Approved Person in the best interest of the client.

(2) An Approved Person must avoid any material conflict of interest between the client and the Approved Person if the conflict is not, or cannot be, otherwise addressed in the best interest of the client.

(3) An Approved Person must not engage in any trading or advising activity in connection with a material conflict of interest identified by the Approved Person under subsection 3110(2) unless,

(i) the conflict has been addressed in the best interest of the client, and

(ii) the Dealer Member has given the Approved Person its consent to proceed with the activity.

3112. Dealer Member responsibility to address conflicts of interest

(1) A Dealer Member must address all material conflicts of interest between the Dealer Member and the client, including each Approved Person acting on its behalf, in the best interest of the client.

(2) A Dealer Member must avoid any material conflict of interest between the client and the Dealer Member, including each Approved Person acting on its behalf, if the conflict is not, or cannot be, otherwise addressed in the best interest of the client.

(3) A Dealer Member must adequately supervise how all material conflicts of interest between the client and the Approved Person are addressed by its Approved Persons pursuant to section 3111.

3113. Responsibility to disclose conflicts of interest

(1) A Dealer Member must disclose in writing all material conflicts of interest identified under subsections 3110(1) and 3110(2) to the client whose interests are affected by the conflicts of interest if a reasonable client would expect to be informed of those conflicts of interest.

(2) The information required to be disclosed to the client under subsection 3113(1) must:

(i) include a description of:

(a) the nature and extent of the conflict of interest,

(b) the potential impact on and risk that the conflict of interest could pose to the client, and

(c) how the conflict of interest has been, or will be, addressed,

(ii) be presented in a manner that, to a reasonable person, is prominent, specific and written in plain language,

(iii) be disclosed:

(a) before opening an account for the client if the conflict has been identified at that time, or

(b) in a timely manner, upon identification of a conflict that must be disclosed under subsection 3113(1) that has not previously been disclosed to the client.

(3) For greater certainty, a Dealer Member and an Approved Person do not satisfy subsections 3111(1) or 3112(1) solely by providing disclosure to the client.
3114. Conflicts of interest policies and procedures

(1) A Dealer Member’s policies and procedures must specifically address identifying, disclosing and avoiding or otherwise addressing material conflict of interest situations.

3115. Personal financial dealings

(1) An employee or Approved Person of a Dealer Member must not, directly or indirectly, engage in any personal financial dealings with clients.

(2) Personal financial dealings include, but are not limited to, the following types of dealings:

   (i) Accepting any consideration

      (a) Except as described in paragraphs 3115(2)(i)(a)(I) and 3115(2)(i)(a)(II) accepting any consideration, including remuneration, gratuity or benefit, from any person other than the Dealer Member for any activities conducted on behalf of a client.

         (I) Consideration that is non-monetary, of minimal value, and infrequent such that it will not cause a reasonable person to question whether it created a conflict of interest or otherwise improperly influenced the Dealer Member or its employees would not be considered to be consideration for the purposes of sub-clause 3115(2)(i)(a).

         (II) Compensation received from a client in exchange for services provided through an approved outside activity would not be considered to be consideration for the purpose of sub-clause 3115(2)(i)(a).

   (ii) Settlement agreements without the Dealer Member’s approval

      (a) Entering into a settlement agreement without the Dealer Member’s prior written consent, or

      (b) Paying for client account losses out of personal funds without the Dealer Member’s prior written consent.

   (iii) Borrowing from clients

      (a) Borrowing money or receiving a guarantee in relation to borrowing money, securities or any other assets from a client, unless:

          (I) the client is a financial institution whose business includes lending money to the public and the borrowing is in the normal course of the institution’s business, or

          (II) the client is a Related Person as defined by the Income Tax Act (Canada) and the transaction is addressed in accordance with the Dealer Member’s policies and procedures,

          and

          (III) in the case of Associate Portfolio Managers, Portfolio Managers, Investment Representatives and Registered Representatives, the arrangement set out in paragraph 3115(2)(iii)(a)(II) is disclosed to and approved in writing by the Dealer Member, prior to the transaction.

   (iv) Lending to clients

      (a) Lending money, or providing a guarantee in relation to a loan of money, securities or any other assets to a client, unless:
(I)
the client is a Related Person as defined by the Income Tax Act (Canada) and the transaction complies with the Dealer Member’s policies and procedures, and

(II) in the case of Associate Portfolio Managers, Portfolio Managers, Investment Representatives and Registered Representatives, the arrangement set out in paragraph 3115(2)(iv)(a)(I) is disclosed to and approved in writing by the Dealer Member, prior to the transaction.

(v) Control or authority
(a) Acting as a Power of Attorney, trustee, executor, or otherwise having full or partial control or authority over the financial affairs of a client, unless:

(I) the client is a Related Person as defined by the Income Tax Act (Canada) and the existence of such control is addressed in accordance with the Dealer Member’s policies and procedures, and

(II) in the case of Associate Portfolio Managers, Portfolio Managers, Investment Representatives and Registered Representatives, the arrangement in paragraph 3115(2)(v)(a)(I) is disclosed to and approved in writing by the Dealer Member, prior to entering into the arrangement.

(b) In the case of discretionary accounts and managed accounts, paragraph 3115(2)(v)(a)(I) does not apply to the extent that the control or authority is solely exercised consistent with the terms of the discretionary account agreement or the managed account agreement, and with Corporation requirements for such accounts.

3116. Offering gratuity

(1) A Dealer Member or any Approved Person, employee or shareholder of a Dealer Member must not give, offer, or agree to give or offer, directly or indirectly, a gratuity, advantage, benefit or any other consideration, in relation to any business of the client with the Dealer Member, to any partner, director, officer, employee, agent or shareholder of a client or any associate of such persons.

(2) Subsection 3116(1) does not apply if the prior written consent of the client has been obtained.

3117. Mutual fund sales incentives

(1) For purposes of section 3117, the term "non-cash sales incentive" includes, without limitation, domestic or foreign trips, goods, services, gratuities, advantages, benefits or any other non-cash compensation.

(2) A Dealer Member, related company, partner, employee or Approved Person of the Dealer Member or related company, must not, directly or indirectly, accept or pay any non-cash sales incentive in connection with the sale or distribution of mutual fund products.

(3) The prohibition against non-cash mutual fund sales incentives in section 3117 does not apply to:

(i) non-cash sales incentives earned or awarded through a Dealer Member’s internal incentive program for which eligibility is determined with respect to all services and products offered by the Dealer Member,

(ii) commissions or fees payable in cash and calculated with reference only to particular sales or volumes of sales of mutual fund,
Corporation Investment Dealer and Partially Consolidated Rules

(iii) service fees or trailing commissions,
(iv) cost of marketing materials, or
(v) normal and reasonable business promotion activities taking place where the recipient is employed or resides.

3118. Tied selling

(1) A Dealer Member must not require a client to purchase, use or invest in any product, service or security as a condition, or on terms that would appear to a reasonable person to be a condition, of supplying, continuing to supply or selling a product, service or security.

(2) Subsection 3118(1) does not prohibit a Dealer Member from providing financial incentives or advantages such as relationship pricing or other beneficial selling arrangements, to clients.

PART C – BEST EXECUTION OF CLIENT ORDERS

3119. Definitions

(1) The following terms have the meaning set out below when used in sections 3119 through 3129:

<table>
<thead>
<tr>
<th>Term</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>“best execution”</td>
<td>Obtaining the most advantageous execution terms reasonably available under the circumstances.</td>
</tr>
<tr>
<td>“foreign exchange-traded security”</td>
<td>A security, other than a listed security, that is listed on a foreign organized regulated market.</td>
</tr>
<tr>
<td>“foreign organized regulated market”</td>
<td>The same meaning as set out in the Universal Market Integrity Rules, section 1.1.</td>
</tr>
<tr>
<td>“last sale price”</td>
<td>The same meaning as set out in the Universal Market Integrity Rules, section 1.1.</td>
</tr>
<tr>
<td>“Opening Order”</td>
<td>The same meaning as set out in the Universal Market Integrity Rules, section 1.1.</td>
</tr>
</tbody>
</table>
| “over-the-counter securities”                   | Debt securities, contracts for difference and foreign exchange contracts, but does not include:
|                                               | (i) listed securities,
|                                               | (ii) primary market transactions in securities, and
|                                               | (iii) over-the-counter derivatives with non-standardized contract terms that are customized to the needs of a particular client and for which there is no secondary market. |
| “Trading Rules”                                 | The same meaning as set out in the Universal Market Integrity Rules, section 1.1. |

3120. Best execution obligation

(1) A Dealer Member’s policies and procedures must specifically address achieving best execution for client orders.

3121. Best execution factors

(1) The policies and procedures for achieving best execution must address the following broad factors when executing all client orders:

(i) the price of the security,
(ii) the speed of execution of the client order,
(iii) the certainty of execution of the client order, and
(iv) the overall cost of the transaction, when costs are passed on to clients.

(2) In addition to the broad factors listed in subsection 3121(1), the policies and procedures for best execution of client orders for listed securities and foreign-exchange traded securities must address the following specific factors:

(i) the considerations taken into account when determining appropriate routing strategies for client orders,
(ii) the considerations for fair pricing of Opening Orders when determining where to enter an Opening Order,
(iii) the considerations when not all Marketplaces are open and available for trading,
(iv) how order and trade information from all appropriate Marketplaces, including unprotected Marketplaces and foreign organized regulated markets, is taken into account,
(v) the factors related to executing client orders on unprotected Marketplaces, and
(vi) the factors related to sending client orders to a foreign intermediary for execution.

(3) The policies and procedures for best execution must address the factors used to achieve best execution when manually handling a client order for trades on a Marketplace, including the following “prevailing market conditions”:

(i) the direction of the market for the security,
(ii) the depth of the posted market,
(iii) the last sale price and the prices and volumes of previous trades,
(iv) the size of the spread, and
(v) the liquidity of the security.

3122. Best execution process
(1) The policies and procedures for best execution must specifically address the process for achieving best execution that includes the following:

(i) for the execution of all client orders:
   (a) requiring the Dealer Member to consider the instructions of a client, subject to its obligations under Corporation requirements and securities laws, and
   (b) describing any material conflicts of interest that may arise when sending client orders for handling or execution and how these conflicts are to be managed,

and,

(ii) for the execution of client orders for listed securities and foreign exchange-traded securities that trade on a Marketplace:
   (a) describing the Dealer Member’s order handling and routing practices for achieving best execution,
   (b) taking into account order and trade information from all appropriate Marketplaces,
   (c) the rationale for accessing or not accessing particular Marketplaces, and
(d) the circumstances under which a Dealer Member will move an order entered on one Marketplace to another Marketplace.

3123. Non-executing Dealer Member best execution policies and procedures

(1) A Dealer Member that engages another Dealer Member to provide execution services on its behalf may include in its policies and procedures for best execution a link to the executing Dealer Member’s best execution disclosure to comply with its obligations under clause 3122(1)(ii) and sections 3126 and 3129, provided that the non-executing Dealer Member’s policies and procedures for best execution specifically address the following:

(i) the non-executing Dealer Member must conduct an initial review of the best execution disclosure of the executing Dealer Member and a review when material changes are made to the disclosure, to provide reasonable assurance that the executing Dealer Member’s policies and procedures for best execution are complete and appropriate for its clients,

(ii) the non-executing Dealer Member must obtain an annual attestation from the executing Dealer Member that it has complied with and tested its policies and procedures on best execution in accordance with sections 3119 through 3129, and

(iii) the non-executing Dealer Member must follow-up with the executing Dealer Member if it identifies trade execution results that are inconsistent with the executing Dealer Member’s best execution disclosure and document the results of its inquiry.

3124. Sending orders in bulk to foreign intermediaries

(1) A Dealer Member’s policies and procedures for best execution must not include the practice of sending client orders in listed securities in bulk to a foreign intermediary for execution outside of Canada, without considering other liquidity sources, including liquidity sources within Canada.

3125. Fair pricing of over-the-counter securities

(1) A Dealer Member must not:

(i) purchase over-the-counter securities for its own account from a client or sell over-the-counter securities from its own account to a client except at an aggregate price (including any mark-up or mark-down) that is fair and reasonable, taking into consideration all relevant factors, including the following:

(a) the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction,

(b) the expense involved in effecting the transaction,

(c) the fact that the Dealer Member is entitled to a profit, and

(d) the total dollar amount of the transaction, and

(ii) purchase or sell over-the-counter securities as agent for a client for a commission or service charge in excess of a fair and reasonable amount, taking into consideration all relevant factors, including the following:

(a) the availability of the securities involved in the transaction,

(b) the expense of executing or filling the client order,

(c) the value of the services rendered by the Dealer Member, and
the amount of any other compensation received or to be received by the Dealer Member in connection with the transaction.

3126. Review of best execution policies and procedures

(1) A Dealer Member must review its best execution policies and procedures at least annually, and whenever there is a material change to the trading environment or market structure that may impact a Dealer Member’s ability to achieve best execution for its clients. The Dealer Member must consider whether more frequent reviews of its policies and procedures on best execution are necessary based on the size and scope its business.

(2) A Dealer Member must outline a process to review its policies and procedures on best execution, including a description of its governance structure, that specifies the following:
(i) who will conduct the review,
(ii) what information sources will be used,
(iii) the review procedures that will be employed,
(iv) a description of any specific events that will trigger a review in addition to annual reviews,
(v) how the Dealer Member evaluates whether its policies and procedures for best execution are effective in achieving best execution, and
(vi) who will receive reports of the results.

(3) A Dealer Member must retain records of its reviews of its policies and procedures on best execution, including any material decisions made and any changes to them, in accordance with the record retention requirements in section 3803.

(4) A Dealer Member must promptly correct any deficiencies identified in the course of its review of its policies and procedures on best execution.

3127. Training

(1) A Dealer Member must have reasonable assurance its employees involved in the execution of client orders know and understand how to apply the Dealer Member’s policies and procedures for best execution that they must follow.

3128. Compliance with the Order Protection Rule

(1) Despite any instruction or consent of the client, best execution of a client order for listed security is subject to compliance with the Order Protection Rule under Part 6 of the Trading Rules by:
(i) the Marketplace on which the order is entered, or
(ii) the Dealer Member, if the Dealer Member has marked the order as a directed-action order in accordance with Universal Market Integrity Rule 6.2.

3129. Disclosure of best execution policies

(1) A Dealer Member must disclose to its clients in writing the following:
(i) a description of the Dealer Member’s obligation under section 3120,
(ii) a description of the factors the Dealer Member considers for the purpose of achieving best execution,
(iii) a description of the Dealer Member’s order handling and routing practices intended to achieve best execution of client orders for listed securities, that include the following:

(a) the identity of any Marketplace to which the Dealer Member might route the client orders for handling or execution,

(b) the identity of each type of intermediary (domestic or foreign) to which the Dealer Member might route the client orders for handling or execution,

(c) the circumstances in which the Dealer Member might route client orders to a Marketplace or intermediary identified in sub-clause 3129(1)(iii)(a) or (b) above,

(d) the circumstances, if any, under which the Dealer Member will move a client order entered on one Marketplace to another Marketplace,

(e) the nature of any ownership by the Dealer Member or affiliated entity of the Dealer Member in, or arrangement with, any Marketplace or intermediary identified in sub-clause 3129(1)(iii)(a) or (b) above,

(f) if any client orders may be routed to an intermediary identified in sub-clause 3129(1)(iii)(b) above, pursuant to an arrangement with that intermediary, and

(g) a statement that client orders will be subject to the order handling and routing practices of the intermediary identified in sub-clause 3129 (1)(iii)(b) above,

(iv) a statement that the Dealer Member has reviewed the client order handling and routing practices of the intermediary identified pursuant to sub-clause 3129(1)(iii)(b) and is satisfied that it provides reasonable assurance of achieving best execution of client orders,

(v) a statement as to:

(a) whether fees are paid by the Dealer Member or payments or other compensation is received by the Dealer Member for a client order routed, or a trade resulting from a client order routed, to a Marketplace or intermediary identified pursuant to sub-clause 3129(1)(iii)(a) or (b) above,

(b) the circumstances under which the costs associated with the fees paid by the Dealer Member or the compensation received by the Dealer Member will be passed on to the client, and

(c) whether routing decisions are made based on fees paid by the Dealer Member or payments received by the Dealer Member,

and,

(vi) if providing market data as a service to clients, a description of any market data that is missing, including an explanation of the risks of trading with incomplete trading data.

(2) A Dealer Member must provide separate disclosure for each class or type of client if the factors and order handling and routing practices used for such clients materially differ.

(3) A Dealer Member must identify in the disclosure:

(i) the class or type of client to which the disclosure applies,

(ii) the class or type of securities to which the disclosure applies, and

(iii) the date of the most recent changes to the disclosure.

(4) A Dealer Member must make the disclosure:
(i) publicly available on the Dealer Member’s website and clearly identify to clients where on the website the disclosure can be found, or
(ii) if the Dealer Member does not have a website, provide the disclosure in writing to the client upon account opening.

(5) A Dealer Member must:
(i) review the disclosure on a frequency that is reasonable in the circumstances, and at a minimum on an annual basis, and
(ii) promptly update the disclosure to reflect the Dealer Member’s current practices.

(6) If a Dealer Member makes any change to the disclosure, the Dealer Member must:
(i) for the website disclosure, identify and maintain the change on its website for a period of six months after the change has been made, or
(ii) if the Dealer Member does not have a website, deliver the change to the client in writing no later than the 90th day after the change has been made.

3130. – 3139. Reserved.

PART D: CLIENT IDENTIFIERS

3140. Identifying clients of a Non-Executing Dealer Member

(1) Where a non-executing Dealer Member is not acting for an order execution only account and sends an order in a listed security to an executing Dealer Member for execution on a Marketplace for which the Corporation is the regulation services provider, the non-executing Dealer Member must include:
(i) an identifier for the client for or on behalf of whom the order is entered, in the form of:
   (a) a Legal Entity Identifier for an order for an account supervised under Part D of Rule 3900,
   (b) an account number for all other client orders not included under sub-clause 3140(1)(i)(a);
(ii) the Legal Entity Identifier of the non-executing Dealer Member that is not a Participant.

(2) Where a non-executing Dealer Member is not acting for an order execution only account and groups together orders from more than one client or account type for execution on a Marketplace for which the Corporation is the regulation services provider:
(i) sub-clause 3140(1)(i) does not apply, and
(ii) the non-executing Dealer Member must provide to the executing Dealer Member that the order is part of:
   (a) a bundled order,
   or
   (b) a multiple client order.

(3) The non-executing Dealer Member that is not acting for an order execution only account and is not a Participant must ensure that the registration status of its Legal Entity Identifier has not lapsed.

3141. – 3199. Reserved.
RULE 3200 | KNOW-YOUR-CLIENT AND CLIENT ACCOUNTS

3201. Introduction

(1) Rule 3200 sets out Dealer Members’ obligations when opening new accounts and maintaining existing accounts. Rule 3200 is divided into seven parts as follows:

Part A – Know-Your-Client and Client Identification Requirements:
sets out Dealer Members’ obligation to know and identify each client and to learn and remain informed of the essential facts about each client, account and order accepted.
[sections 3202 through 3209]

Part B – Requirements for Client Accounts:
sets out the general account opening and updating procedures that, subject to certain exceptions specified within the requirements, are applicable to all accounts.
[sections 3210 through 3222]

Part C – Advisory Accounts:
sets out requirements that apply where the account is an advisory account.
[section 3230]

Part D – Order Execution Only Accounts:
sets out requirements that apply where the account is an order execution only account.
[sections 3240 and 3241]

Part E – Margin Accounts:
sets out requirements that apply where the account is a margin account.
[sections 3245 through 3247]

Part F – Additional Account Opening Requirements for Options, Futures Contract and Futures Contract Options Trading:
sets out additional account opening and updating procedures for options, futures contracts and futures contract options trading accounts.
[sections 3250 through 3260]

Part G – Discretionary Accounts and Managed Accounts:
sets out requirements that apply where the account is either a discretionary account or a managed account.
[sections 3270 through 3281]

(2) Rule 3200 applies to Dealer Members in addition to all other Corporation requirements. No part of Rule 3200, unless otherwise specified, shall be interpreted to grant a Dealer Member an exemption for complying with other Corporation requirements.

(3) The following terms have the meaning set out below when used in Part A – Know-Your-Client and Client Identification Requirements and Part B – Requirements for Client Accounts:
“financial exploitation” means the use or control of, or deprivation of the use or control of, a financial asset of an individual by a person through undue influence, unlawful conduct or another wrongful act.

“trusted contact person” means an individual identified by a client to a Dealer Member or Approved Person whom the Dealer Member or Approved Person may contact in accordance with the client’s written consent.

“vulnerable client” means a client who might have an illness, impairment, disability or aging-process limitation that places the client at risk of financial exploitation.

(4) The following terms have the meaning set out below when used in Part D – Order Execution Only Accounts:

<table>
<thead>
<tr>
<th>Term</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>“adviser”</td>
<td>means a person that is not an individual and is registered as an adviser in accordance with securities laws.</td>
</tr>
<tr>
<td>“foreign adviser equivalent”</td>
<td>means a person that is not an individual and is in the business of trading securities in a foreign jurisdiction in a manner analogous to an adviser.</td>
</tr>
</tbody>
</table>

PART A – KNOW-YOUR-CLIENT AND CLIENT IDENTIFICATION REQUIREMENTS

3202. Know Your-Client

(1) A Dealer Member must take reasonable steps to learn and remain informed of the essential facts relative to every order, account and client it accepts, and to:
   (i) establish the identity of a client and, if the Dealer Member has any cause for concern, make reasonable inquiries as to the reputation of the client,
   (ii) establish whether the client is an insider of a reporting issuer or any other issuer whose securities are publicly traded,
   (iii) ensure it has collected sufficient information regarding all of the following to enable it to meet its obligations under Rule 3400:
      (a) the client’s:
         (I) personal circumstances,
         (II) financial circumstances,
         (III) investment needs and objectives,
         (IV) investment knowledge,
         (V) risk profile, and
         (VI) investment time horizon, and
   (iv) establish the creditworthiness of the client if the Dealer Member is financing the client’s acquisition of a security.

(2) A Dealer Member must complete an account application for each new client in accordance with the requirements set out in Rule 3200.
(3) Within a reasonable time after receiving the information collected under subsection 3202(1), a Dealer Member must take reasonable steps to have a client confirm the accuracy of such information.

(4) Concurrently with taking the reasonable steps under clause 3202(1) a Dealer Member must take reasonable steps to obtain from the client the name and contact information of a trusted contact person, and the written consent of the client for the Dealer Member to contact the trusted contact person to confirm or make inquiries about any of the following:

(i) the Dealer Member’s concerns about possible financial exploitation of the client,

(ii) the Dealer Member’s concerns about the client’s mental capacity as it relates to the ability of the client to make decisions involving financial matters,

(iii) the name and contact information of a legal representative of the client, if any,

(iv) the client’s contact information.

(5) Subsection 3202(4) does not apply to a Dealer Member in respect of a client that is not an individual.

3203. Identifying partnerships or trusts

(1) When opening an initial account for a partnership or trust, a Dealer Member must:

(i) in the case of a trust, obtain the names and addresses of all trustees and all known beneficiaries and settlors of the trust,

(ii) establish the existence of the partnership or trust and the nature of its business,

(iii) in accordance with the requirements set out in section 3206 establish the identity of each individual that exercises control over the affairs of the partnership or trust, and

(iv) not open a partnership or trust account unless it first obtains the information referred to in clause 3203(1)(iii) and determines whether the individuals described in clause 3203(1)(iii) and, in the case of a trust, any of the known beneficiaries of more than 10% of the trust are insiders of a reporting issuer or any other issuer whose securities are publicly traded.

3204. Identifying corporations

(1) When opening an initial account for a corporation, a Dealer Member must:

(i) obtain the names of all directors of the corporation within 30 days of opening the account,

(ii) establish the existence of the corporation and the nature of its business,

(iii) in accordance with the requirements set out in section 3206, establish the identity of any individual who is the beneficial owner, or exercises direct or indirect control or direction, of 25% or more of the voting rights attached to the outstanding voting securities of the corporation, and

(iv) not open an account unless it identifies any such individual beneficial owners required under clause 3204(1)(iii) and determines whether one or more of them are insiders of a reporting issuer or any other issuer whose securities are publicly traded.

3205. Prohibition on shell banks

(1) A Dealer Member must not open or maintain an account for a shell bank, which is defined as a bank that does not have a physical presence in any country.
(2) Subsection 3205(1) does not apply to a bank that is an affiliate of a bank, loan or trust company, credit union, or other depository institution with a physical presence in Canada or in a foreign country in which the institution is subject to supervision by a banking or other similar regulatory authority.

3206. Establishing identity

(1) For each beneficial owner or individual described in subsections 3203(1)(iii) and 3204(1)(iii), the Dealer Member must establish the identity of such individual by using such methods that allow the Dealer Member to form a reasonable belief it knows the identity of the individual and by taking reasonable measures to confirm the accuracy of the information obtained.

(2) The Dealer Member shall keep a record that sets out the information obtained and the measures to confirm the accuracy of that information.

(3) The identity of such individual in subsection 3206(1) must be established as soon as practicable but not more than 30 days after opening the account.

(4) If the identity of such individual referred to in subsection 3206(1) cannot be established within 30 days of opening an account, the Dealer Member must restrict the account solely to liquidating trades, transfers, paying out funds or delivering securities. These account restrictions must remain in place until the Dealer Member establishes the individual’s identity.

3207. Identification exceptions

(1) Sections 3203, 3204 and 3206 do not apply to:

(i) An entity registered under securities laws to:

(a) engage in the business of trading or advising in securities, or
(b) act as an investment fund manager,

(ii) an investment fund that is regulated under securities laws,

(iii) a Canadian financial institution (as described in sub-section 3207(2) below),

(iv) an affiliate of a Canadian financial institution (as described in sub-section 3207(2) below), if that affiliate carries out activities similar to that Canadian financial institution,

(v) a Schedule III bank,

(vi) a pension fund that is regulated by or under an Act of Parliament or the legislature of a province,

(vii) an entity that is a Canadian public body, or a corporation that has minimum net assets of $75 million on its last audited balance sheet and whose shares are traded on a Canadian stock exchange or a stock exchange designated under section 262(1) of the Income Tax Act (Canada), and operates in a country that is a member of the Financial Action Task Force. For the purpose of clause 3207(1)(vii), the term “stock exchange” has the same interpretation as used in the Income Tax Act (Canada), or

(viii) an entity that is an affiliate of a public body or a corporation referred to in paragraph (vii) above and the financial statements of the entity are consolidated with the financial statements of that public body or corporation.

(2) A Canadian financial institution includes:
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(i) an association governed by the Cooperative Credit Associations Act (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act, or
(ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada.

3208. Exemptions from Know-Your-Client

(1) Clause 3202(1)(iii) and subsection 3209(4) do not apply in respect to:
   (i) an order execution only account,
   (ii) a direct electronic access account,
   (iii) an account maintained at a Dealer Member who is a carrying broker for that account or who only provides trade execution, clearing, settlement or custody services or a combination of these services to another Dealer Member, portfolio manager, exempt market dealer or their respective clients, for that account, or
   (iv) an account held by an institutional client.

3209. Primary responsibility, delegation and obligation to keep current

(1) Compliance with the Corporation requirements relating to know-your-client is primarily the responsibility of the Registered Representative, Portfolio Manager or Associate Portfolio Manager assigned to the client account.

(2) The responsibility in subsection 3209(1) must not be delegated to any other person.

(3) A Dealer Member must take reasonable steps to keep current the information required under Part A of Rule 3200, including updating the information within a reasonable time after the Dealer Member becomes aware of a significant change in the client’s information required under section 3202.

(4) A Dealer Member must review the information collected under clause 3202(1)(iii) no less frequently than once every 36 months, except for a managed account and a discretionary account which must be reviewed no less frequently than once every 12 months.

PART B – REQUIREMENTS FOR CLIENT ACCOUNTS

3210. Definitions

(1) The following term has the meaning set out below when used in Rule 3200:

| “Client account records” | Any information, disclosure statement or agreement the Dealer Member is required to provide to or obtain from the client in accordance with Corporation requirements or applicable laws including, but not limited to, the following: |

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(i) documentation supporting the conclusion that the client’s identity has been verified,
(ii) documentation supporting the account appropriateness assessment,
(iii) know-your-client information collected in accordance with Corporation requirements, and
(iv) the client’s account application.

3211. Account appropriateness

(1) Before a Dealer Member opens an account for a person, the Dealer Member must determine, on a reasonable basis and putting the person’s interest first, that:
   (i) this action is appropriate for the person, and
   (ii) the scope of products, services and account relationships which the person would have access to within the account are appropriate for the person.

(2) Clause 3211(1)(ii) does not apply in respect to:
   (i) an order execution only account, or
   (ii) a direct electronic access account.

(3) Subsection 3211(1) does not apply in respect to:
   (i) an account maintained at a Dealer Member who is a carrying broker for that account or who only provides trade execution, clearing, settlement or custody services or a combination of these services to another Dealer Member, portfolio manager, exempt market dealer or their respective clients, for that account, or
   (ii) an account held by a Dealer Member, regulated entity, exempt market dealer, portfolio manager, bank, trust company or insurance company.

3212. Account information

(1) For each account, the Dealer Member must obtain and maintain the applicable client account records.

(2) For each institutional client, the Dealer Member must verify that the client qualifies as an institutional client.

(3) The Dealer Member must record the account number on the account application.

(4) Where accounts are received by the Dealer Member from an affiliated Dealer Member or an affiliated Mutual Fund Dealer Member, the Dealer Member may use the documentation maintained by the affiliate firm to meet the requirement in subsection 3212(1) provided:
   (i) the account offering and investment products and services to be made available to the client at the Dealer Member are materially the same as those at the affiliate firm,
   (ii) the following fees and charges associated with the account offering and investment products and services are the same or lower as those at the affiliate firm:
(a) account service fees and charges the client will or may incur relating to the general operation of the account, and
(b) charges the client will or may incur in making, disposing and holding investment products,
(iii) the know-your-client information collected by the Dealer Member and the approach used by the Dealer Member to assess the know-your-client information collected are materially the same as at the affiliate firm, and
(iv) the affiliate firm account agreement has an acceptable assignment clause that in substance protects the client’s interests in the same manner as if the client had signed a new account agreement with the Dealer Member.

3213. Account opening policies and procedures

(1) A Dealer Member’s policies and procedures must specifically address:
   (i) collecting and maintaining accurate, complete and up-to-date information about each client and updating that information where there are significant changes, and
   (ii) ensuring the completion of client account records when opening new accounts.

(2) A Dealer Member must:
   (i) have policies and procedures to specifically address that documents supporting client account records are received within a reasonable time after opening an account,
   (ii) have a system for recording pending account documentation and following up where it is not received within a reasonable time,
   (iii) take specific action to obtain required documents that have not been received within 25 business days of opening the account, unless a shorter period is prescribed,
   (iv) have policies and procedures independent of the Registered Representative, Portfolio Manager or Associate Portfolio Manager for verifying significant changes to client information, and
   (v) have a system in place to record the review and approval by the designated Supervisor.

3214. Opening new client accounts

(1) A Dealer Member may only assign an account number to a new account if the full and accurate name and address of the client who holds the account is known to the Dealer Member; the complete account application must be received no later than the following business day.

(2) The designated Supervisor must not approve a new account unless all client account records have been collected.

(3) A designated Supervisor must approve each new account no later than one business day after completing the initial trade for the account.

(4) A Dealer Member may use an alternative procedure to approve new accounts on an interim basis, provided the designated Supervisor provides final approval no later than one business day after the initial trade.

(5) If a designated Supervisor does not approve a new account after the initial trade, the Dealer Member must restrict the account to only liquidating trades, transfers out, paying out funds or
delivering securities to the client. These account restrictions must remain in place until the designated Supervisor has provided final approval of the account.

(6) Before opening a new account for an employee of another Dealer Member, the Dealer Member must obtain written approval from the other Dealer Member, and must designate the account as non-client account.

3215. Updating client accounts

(1) The Dealer Member’s policies and procedures must specifically address that any significant changes to client information are approved in the same manner that an account application is approved for a new account.

(2) If a client’s Registered Representative, Portfolio Manager or Associate Portfolio Manager changes, the Dealer Member’s procedures must require that:

   (i) the new Registered Representative, Portfolio Manager or Associate Portfolio Manager verify the client information in the account application with the client as soon as practicable to ensure the information is correct, and

   (ii) the new Registered Representative, Portfolio Manager or Associate Portfolio Manager and the designated Supervisor acknowledge, in writing, that the account application was reviewed and, if necessary, updated.

(3) Subject to subsection 3215(4), if the client’s account application was approved within the past 36 months, the Dealer Member may use a copy of a client’s current account application to record any changes to a client’s information, but must have the Registered Representative, Portfolio Manager or Associate Portfolio Manager and their Supervisor initial any changes.

(4) If the client’s managed account or discretionary account application was approved within the past 12 months, the Dealer Member may use a copy of a client’s current managed account or discretionary account application to record any changes to a client’s information, but must have the Portfolio Manager or Associate Portfolio Manager and their Supervisor initial any changes.

(5) The Dealer Member must restrict the access of Registered Representatives, Portfolio Managers and Associate Portfolio Managers and other persons to its systems in such a manner so as to ensure that material client information cannot be changed without the required approval.

3216. Relationship Disclosure

(1) Objective of relationship disclosure requirements

This section establishes the minimum requirements for the provision of relationship disclosure information to retail clients. Dealer Members are not required to provide relationship disclosure to institutional clients.

Relationship disclosure information is a written communication from the Dealer Member to the client describing the products and services offered by the Dealer Member, the nature of the account and the manner in which the account will operate and the responsibilities of the Dealer Member to the client.

(2) Frequency of provision of relationship disclosure information

Relationship disclosure information must be provided to each retail client:
(i) at the time of opening an account or accounts, and
(ii) when there is a significant change to the relationship disclosure information previously provided to the client.

(3) Form of relationship disclosure information

(i) **Dealer Members** have the choice of providing customized relationship disclosure information to each client, or appropriate standardized relationship disclosure information to separate classes of clients.

(ii) Where standardized relationship disclosure information is provided to the client, the **Dealer Member** must ensure that the disclosure is appropriate for the client. The relationship disclosure information must accurately describe the account relationship the client has entered into with the **Dealer Member**.

(iii) Where a client has more than one account, combined relationship disclosure information may be provided to the client as long as the **Dealer Member** determines that the combined disclosure is appropriate for the client in light of the relevant circumstances, including the nature of the various accounts.

(4) Format of relationship disclosure information

(i) The format of the relationship disclosure information is not prescribed but must:

   (a) be provided to the client in writing,

   (b) be written in plain language that communicates the information to the client in a meaningful way, and

   (c) include all the required content set out in subsection 3216(5), or, where specific information has otherwise been provided to the client by the **Dealer Member**, a general description and a reference to the other disclosure materials containing the required information.

(ii) **Dealer Members** may choose to provide the relationship disclosure information as a separate document or to integrate it with other account opening materials.

(5) Content of relationship disclosure information

(i) The relationship disclosure information must be entitled “Relationship Disclosure”.

(ii) Subject to clause 3216(5)(iii), the relationship disclosure information must contain the following:

   (a) a general description of the types of products and services the **Dealer Member** will offer to the client including:

      (I) a description of the restrictions on the client’s ability to liquidate or resell a security, and

      (II) a statement of the investment fund management expense fees or other ongoing fees the client may incur in connection with a security or service the **Dealer Member** provides,

   (b) a general description of any limits on the products and services the **Dealer Member** will offer to the client including:
(I) whether the firm will primarily or exclusively provide proprietary products to the client, and

(II) whether there will be other limits on the availability of products or services,

(c) a description of the account relationship that states:

(I) whether the account opened is an advisory account, a managed account or an order execution only account,

(II) whether the client is responsible for making investment decisions and, if so, the manner in which the client will instruct the Dealer Member to effect transactions for the account, and

(III) whether recommendations or advice will be provided to the client and, if so, the responsibilities and obligations of the Dealer Member and its employees for any recommendations or advice provided to the client,

(d) a description of the process used by the Dealer Member to determine suitability, including:

(I) a description of the approach used by the Dealer Member to assess the client’s personal and financial circumstances, investment needs and objectives, investment time horizon, risk profile and investment knowledge,

(II) a statement that the client will be provided with a copy of the “know-your-client” information that is obtained from the client and documented at time of account opening and when there are significant changes to the information,

(III) a statement that the Dealer Member will determine that any investment action it takes, recommends or decides on, for the client is suitable for the client and puts the client’s interest first, including when:

(A) securities are received into or delivered out of the client’s account by way of deposit, withdrawal or transfer,

(B) there is a change in the Registered Representative, Portfolio Manager or Associate Portfolio Manager responsible for the account,

(C) the Dealer Member becomes aware of a change in the retail client’s information collected in accordance with subsection 3202(1) that could result in the retail client’s account not satisfying subsection 3402(1),

(D) the Dealer Member becomes aware of a change in a security in the retail client’s account that could result in the account not satisfying subsection 3402(1), or

(E) the Dealer Member reviews the retail client’s information in accordance with subsection 3209(4),

(IV) a statement indicating whether or not the suitability of the investments held in the account will be reviewed in the case of other triggering events not described in paragraph 3216(5)(ii)(d)(III) and, in particular, in the event of significant market fluctuations,

(e) a description of the client account reporting that the Dealer Member will provide, including:
I. a statement indicating when trade confirmations and account statements will be sent to the client,

II. a description of the Dealer Member’s minimum obligations to provide performance information to the client and a statement indicating when account position cost and account activity information will be provided to the client, and

III. a statement indicating whether or not the provision of account percentage return information will be an option available to the client as part of the account service offering,

(f) a statement indicating that any Dealer Member and Approved Person existing material conflicts of interest, and material conflicts of interest that are reasonably foreseeable, which are not avoided, will be addressed in the best interest of the client and will be disclosed, where required, to the client in a timely manner, upon identification of the conflict,

(g) a general description of any benefits received, or expected to be received, by the Dealer Member or the Approved Person, from a person or company other than the Dealer Member’s client, in connection with the client’s purchase or ownership of a security through the Dealer Member,

(h) a description of all account service fees and charges the client will or may incur relating to the general operation of the account,

(i) a description of all charges the client will or may incur in making, disposing and holding investments by type of investment product,

(j) a general explanation of the potential impact on a client’s investment returns from each of the fees and charges described in 3216(5)(ii)(a)(II), and 3216(5)(ii)(h) and (i), including the effect of compounding over time,

(k) a listing of the account documents required to be provided to the client with respect to the account,

(l) a description of the Dealer Member’s complaint handling procedures and a statement that the client will be provided with a copy of a Corporation approved complaint handling process brochure at time of account opening,

(m) a general explanation of how investment performance benchmarks might be used to assess the performance of a client’s investments and any options for benchmark information that might be made available to the client by the Dealer Member,

(n) a description of the circumstances under which a Dealer Member might disclose information about the client or the client’s account to a trusted contact person referred to in subsection 3202(4), and

(o) a general explanation of the circumstances under which a Dealer Member or Approved Person may place a temporary hold under section 3222 and a description of the notice that will be given to the client if a temporary hold is placed or continued under that section.
(iii) For order execution only accounts, the Dealer Member does not have to provide the relationship disclosure information required under sub-clause 3216(5)(ii)(d), provided that disclosure is made in compliance with the requirements in section 3241.

(6) Review of relationship disclosure materials

(i) The relationship disclosure information provided to the client must be approved by a partner, Director, officer or designated Supervisor. This approval must occur regardless of the form the relationship disclosure information takes. If the document is a standardized document, the designated Supervisor must ensure that the correct document is used in each client circumstance. If the relationship disclosure information is a customized for each client, the designated Supervisor must approve each document.

3217. Leverage risk disclosure statement

(1) When opening a new account for a retail client, prior to making an initial recommendation to a retail client to purchase securities using borrowed money, or when first becoming aware of a retail client’s intention to purchase securities using borrowed money, a Dealer Member must:

(i) provide each retail client with a copy of the leverage risk disclosure statement, and
(ii) obtain the retail client’s positive acknowledgement that they are in receipt of the disclosure statement referred to in clause 3217(1)(i).

(2) A Dealer Member is not required to comply with subsection 3217(1) where it has provided the retail client with a leverage risk disclosure statement in accordance with subsection 3217(1) within the last six months.

(3) A leverage risk disclosure statement must be in substantially the following words:

“Using borrowed money to finance the purchase of securities involves greater risk than using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the securities purchased declines.”

3218. Pre-trade disclosure of charges

(1) Before a Dealer Member accepts an instruction from a retail client to purchase or sell a security in an account other than a managed account, the Dealer Member must disclose to the client:

(i) the charges the client will be required to pay, directly or indirectly, in respect of the purchase or sale, or a reasonable estimate if the actual amount of the charges is not known to the firm at the time of disclosure,
(ii) in the case of a purchase to which deferred charges apply, that the client might be required to pay a deferred sales charge on the subsequent sale of the security and the fee schedule that will apply,
(iii) whether the firm will receive trailing commissions in respect of the security, and
(iv) whether there are any investment fund management expense fees or other ongoing fees that the client may incur in connection with the security.

(2) Subsection 3218(1) does not apply to a Dealer Member in respect of an instruction involving:

(i) a client for whom the Dealer Member purchases or sells securities only as directed by a registered adviser acting for the client.
3219. Client mail

(1) A Dealer Member’s hold-mail account procedures for retail clients must, at a minimum, include the following provisions:
   (i) a requirement that the Dealer Member obtain written authorization from the client to “hold mail”,
   (ii) a requirement that limits the length of time that a “hold mail” order may remain in force for no longer than six months, in any 12 month period, and
   (iii) a rule requiring the control and regular review of “hold mail” accounts by a Supervisor.

(2) Notwithstanding clause 3219(1)(ii), a longer period may be used if:
   (i) it is permitted by the Dealer Member’s policies and procedures,
   (ii) the Dealer Member has policies and procedures that specifically address the close supervision of such accounts, and
   (iii) the appropriate Supervisor pre-approves the extended period.

(3) A Dealer Member’s returned mail procedures for retail clients must at a minimum include the following provisions:
   (i) a rule requiring the control and investigation by a person independent of the sales function, but may be located within a business location, and
   (ii) a rule requiring that a record of all investigations and their results be maintained.

3220. Record keeping

(1) A Dealer Member must maintain records for each account that includes:
   (i) client account records,
   (ii) the name and address of the account guarantor, if applicable, and
   (iii) a signed trading authorization from the account holder authorizing a person, other than the account holder, to give trading instructions for the account, if applicable.

(2) The Registered Representative, Portfolio Manager or Associate Portfolio Manager responsible for an account must retain a current copy of each account application. This requirement can be satisfied by a Dealer Member maintaining the information in an electronic application accessible to the Registered Representative, Portfolio Manager or Associate Portfolio Manager.

(3) A Dealer Member must maintain all client account records in accordance with the record retention requirements in section 3803.

(4) A Dealer Member must maintain a record of persons with trading authorization over one or more client accounts and must ensure that such record is sufficient to allow the Dealer Member to identify any persons with trading authorization for multiple clients or client accounts.

3221. Prohibition against discretionary trading

(1) For the purposes of Rule 3200, a Dealer Member must ensure that individuals trading on its behalf do not engage in any discretionary trading, including time and price discretion, unless discretion is exercised in a discretionary account or managed account in accordance with the requirements set out in Part G of Rule 3200.
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(2) Subsection 3221(1) does not apply to time and price discretion exercised in fulfilling the Dealer Member’s best execution obligation relating to a client order for a specific amount or a specific security.

3222. Conditions for temporary holds

(1) A Dealer Member or an Approved Person must not place a temporary hold on the basis of financial exploitation of a vulnerable client, unless the Dealer Member reasonably believes all of the following:
   (i) the client is a vulnerable client,
   (ii) financial exploitation of the client has occurred, is occurring, has been attempted or will be attempted.

(2) A Dealer Member or an Approved Person must not place a temporary hold on the basis of a client’s lack of mental capacity unless the Dealer Member reasonably believes that the client does not have the mental capacity to make decisions involving financial matters.

(3) If a Dealer Member or an Approved Person places a temporary hold referred to in subsection 3222(1) or subsection 3222(2), the Dealer Member must do all of the following:
   (i) document the facts and reasons that caused the Dealer Member or Approved Person to place, and if applicable, to continue the temporary hold,
   (ii) provide notice of the temporary hold and the reasons for the temporary hold to the client as soon as possible after placing the temporary hold,
   (iii) review the relevant facts as soon as possible after placing the temporary hold, and on a reasonably frequent basis, to determine if continuing the hold is appropriate,
   (iv) within 30 days of placing the temporary hold and, until the hold is revoked, within every subsequent 30-day period, do either of the following:
      (a) revoke the temporary hold,
      (b) provide the client with notice of the Dealer Member’s decision to continue the hold and the reasons for that decision.

3223. – 3229. Reserved.

PART C – ADVISORY ACCOUNTS

3230. Rules applicable to advisory accounts

(1) For the purposes of Rule 3200, a Dealer Member that opens an advisory account for a retail client must comply with the requirements in Parts A through C of Rule 3200, and if applicable, Parts E through G of Rule 3200.

(2) For the purposes of Rule 3200, a Dealer Member that opens an advisory account for an institutional client must:
   (i) comply with the requirements in Parts A through C of Rule 3200, and if applicable, Parts E through G of Rule 3200, with the exception of sections 3216 through 3219, and
   (ii) ensure the sub-account files of an institutional client refer to the documentation contained in the master file to which it is related.
3231. – 3239. Reserved.

PART D – ORDER EXECUTION ONLY ACCOUNTS

3240. Rules applicable to order execution only accounts

(1) For the purposes of Rule 3200, a Dealer Member that opens an order execution only account for a retail client must comply with the applicable requirements in Parts A, B, D, E and F of Rule 3200.

(2) For the purposes of Rule 3200, a Dealer Member that opens an order execution only account for an institutional client must:

(i) comply with the applicable requirements in Parts A, B, D, E and F of Rule 3200, with the exception of sections 3216 through 3219, and

(ii) ensure the sub-account files of an institutional client refer to the documentation contained in the master file to which it is related.

3241. Order execution only account services

(1) A Dealer Member approved by the Corporation to provide order execution only account services within either a separate legal entity or a separate business unit, must:

(i) implement the policies and procedures required by Corporation requirements, and

(ii) not allow its order execution only account service clients to:

(a) use their own automated order system, as defined in securities laws, to generate orders to be sent to the Dealer Member or send orders to the Dealer Member on a pre-determined basis, or

(b) manually send orders or generate orders to the Dealer Member that exceed the threshold on the number of orders as set by the Corporation from time to time,

(iii) not provide order execution only account services to any person that is not an individual and is acting as and, registered or exempted from registration as a dealer in accordance with securities laws, and trades on a Marketplace for which the Corporation is the regulation services provider.

(2) Despite clause 3241(1)(iii), a Dealer Member may provide an order execution only account service to a person that is exempted from registration as a dealer under section 8.4 of National Instrument 31-103.

(3) A Dealer Member approved by the Corporation to provide order execution only account services must, prior to opening an order execution only account:

(i) provide the following written disclosures to the client:

(a) a statement confirming that the Dealer Member will not provide any recommendations to the client and that the client is solely responsible for making all investment decisions in the order execution only account,

(b) a statement confirming that the Dealer Member will not be responsible for making a suitability determination for the client, as set out in sections 3402 or 3403 (other than as required by clauses 3402(3)(i) and 3403(4)(i)), and, in particular, that the Dealer Member will not consider the client’s personal and financial circumstances,
investment needs and objectives, investment knowledge, risk profile, investment
time horizon, nor other similar factors, and

(c) a statement confirming that the Dealer Member will not be responsible for making a
determination that the products and account types offered by the Dealer Member in
the order execution only account are appropriate for the client,

and

(ii) obtain a positive acknowledgement from the client, and each beneficial owner of the
account, confirming that the client, and each beneficial owner, has received and
understood the disclosures described in clause 3241(3)(i).

(4) The Dealer Member must maintain, in an accessible form, a record of the acknowledgement
obtained under clause 3241(3)(ii) in the following form:

(i) the client’s signature or initials on a new client form or other document, specifically related
to the disclosure and acknowledgement,

(ii) an electronic acknowledgement attached to the disclosure and acknowledgement text, or

(iii) a tape recording of a verbal acknowledgement.

(5) The Dealer Member must ensure that a client identifier is assigned to each client that trades on a
Marketplace for which the Corporation is the regulation services provider whose trading activity
on Marketplaces for which the Corporation is the regulation services provider exceeds a daily
average of 500 orders per trading day in any calendar month.

(6) The Dealer Member must ensure that a unique identifier is assigned to any adviser that trades on a
Marketplace for which the Corporation is the regulation services provider and that:

(i) is itself a client of the Dealer Member, or

(ii) has been granted trading authority, direction or control over an account of a client of the
Dealer Member.

(7) The Dealer Member must ensure that a unique identifier is assigned to any foreign adviser
equivalent that trades on a Marketplace for which the Corporation is the regulation services
provider and that:

(i) is itself a client of the Dealer Member, or

(ii) has been granted trading authority, direction or control over an account of a client of the
Dealer Member.

(8) The client identifier required in subsection 3241(5), clause 3241(6)(i) and clause 3241(7)(i) must
be in the form of:

(i) a Legal Entity Identifier for clients eligible to receive a Legal Entity Identifier under the
standards set by the Global Legal Entity Identifier System, or

(ii) an account number for all other client orders not included under subsection 3241(5), clause
3241(6)(i) and clause 3241(7)(i).

(9) If an account number is used as the client identifier under clause 3241(8)(ii), the Dealer Member
must provide the account number and the name of the corresponding client to the Corporation.

(10) The Dealer Member must provide each unique identifier assigned pursuant to clause 3241(6)(ii)
and clause 3241(7)(ii) and the name of the corresponding firm to the Corporation.
(11) For clients using an order execution only account that are not referred to under subsection 3241(5), clause 3241(6)(i), or clause 3241(7)(i), the Dealer Member must use an account number as the client identifier.

(12) The Dealer Member must ensure that each order in a listed security entered on a Marketplace for which the Corporation is the regulation services provider contains:

(i) the Legal Entity Identifier of the Dealer Member if it is a non-executing Dealer Member that is not a Participant, and

(ii) a designation to indicate the order is for an order execution only account.

(13) The Dealer Member must ensure that each order in a listed security entered on a Marketplace for which the Corporation is the regulation services provider contains either:

(i) the identifier required under subsection 3241(5), clause 3241(6)(i), clause 3241(7)(i) or subsection 3241(11), or

(ii) a designation to indicate the order is a bundled order or a multiple client order.

(14) The Dealer Member must ensure that each order entered on a Marketplace for which the Corporation is the regulation services provider by or on behalf of a firm for whom a unique identifier must be assigned pursuant to clause 3241(6)(i) or clause 3241(7)(i) contains the unique identifier assigned to that firm.

(15) The Dealer Member must ensure that each order entered on a Marketplace for which the Corporation is the regulation services provider by or on behalf of an account over which an adviser or foreign adviser equivalent has been granted trading authority, direction or control and an identifier was assigned pursuant to clause 3241(6)(ii) or clause 3241(7)(ii) contains the identifier assigned to that firm.

(16) Despite the requirement to include a client identifier assigned under subsection 3241(5) on an order sent to a Marketplace:

(i) if an adviser is assigned a unique identifier pursuant to clause 3241(6)(ii), each order entered by or on behalf of an account, over which that adviser has been granted trading authority, direction or control, on a Marketplace for which the Corporation is the regulation services provider must contain the unique identifier assigned to that adviser, or

(ii) if a foreign adviser equivalent is assigned a unique identifier pursuant to clause 3241(7)(ii), each order entered by or on behalf of an account over which that foreign adviser equivalent has been granted trading authority, direction or control, on a Marketplace for which the Corporation is the regulation services provider must contain the unique identifier assigned to that foreign adviser equivalent.

(17) The non-executing Dealer Member that is not a Participant must ensure that the registration status of its Legal Entity Identifier has not lapsed.

(18) A Dealer Member approved by the Corporation to provide order execution only account services within either a separate legal entity or a separate business unit, must ensure that:

(i) its order-entry systems and records are capable of labeling all account documentation, including monthly statements and confirmations, as “order execution only accounts” or other similar phrase, and
(ii) the client monthly statements of its order execution only account services are not consolidated with any other client account statements, including those of any other business unit of the Dealer Member or of the Dealer Member itself.

3242. – 3244. Reserved.

PART E – MARGIN ACCOUNTS

3245. Rules applicable to margin accounts

(1) For the purposes of Rule 3200, a Dealer Member that opens a margin account for a retail client must comply with the requirements in Parts A, B and E of Rule 3200, and if applicable, Parts C, D, F and G of Rule 3200.

(2) For the purposes of Rule 3200, a Dealer Member that opens a margin account for an institutional client must:

(i) comply with the requirements in Parts A, B and E of Rule 3200, and if applicable, Parts C, D, F and G of Rule 3200, with the exception of sections 3216 through 3219, and

(ii) ensure the sub-account files of an institutional client refer to the documentation contained in the master file to which it is related.

3246. Margin requirements - when to extend margin to clients

(1) In deciding whether to allow a client to trade on margin, a Dealer Member must ensure that the client is aware of the risks and benefits associated with trading on margin.

3247. Margin account agreement

(1) Prior to opening a margin account, a Dealer Member must:

(i) deliver a margin account agreement to the client, and

(ii) obtain a copy of the margin account agreement signed by the client.

(2) A Dealer Member’s margin account agreement must, at a minimum, contain a written description of the following rights and obligations:

(i) the client’s obligation to pay their indebtedness to the Dealer Member and to maintain adequate margin,

(ii) the client’s obligation to pay interest on debit balances in their account,

(iii) the Dealer Member’s right to raise money on and pledge assets held in the client’s account,

(iv) the extent to which the Dealer Member has the right to use free credit balances in the client’s account for its own business or to cover debits in the same or other accounts,

(v) the Dealer Member’s right to sell assets in the client’s account and make purchases to cover short sales. If the client requires prior notice, the Dealer Member must set out the nature of the notice and the client’s obligations to remedy any deficiency,

(vi) the extent of the Dealer Member’s right, if any, to use a security in the client’s account for delivery against a short sale,

(vii) the extent to which the Dealer Member has the right, if any, to use a security in the client’s account for delivery against a short sale in an account owned or controlled by the Dealer Member, a partner or Director,
(viii) the extent of the Dealer Member’s right to use assets in the client’s account and to hold them as collateral for the client’s debt, and
(ix) the Dealer Member’s obligation to carry out all transactions in accordance with Corporation requirements and, where applicable, the requirements of the marketplace on which the transaction has been executed.

3248. – 3249. Reserved.

PART F – ADDITIONAL ACCOUNT OPENING AND UPDATING PROCEDURES FOR OPTIONS, FUTURES CONTRACT AND FUTURES CONTRACT OPTIONS TRADING

3250. Rules applicable to options, futures contracts and futures contract options trading accounts

(1) For the purposes of Rule 3200, a Dealer Member that opens a options, futures contract and futures contract options trading accounts for a retail client must comply with the requirements in Parts A, B and F of Rule 3200, and if applicable, Parts C, D, E and G of Rule 3200.

(2) For the purposes of Rule 3200, a Dealer Member that opens an options, futures contract and futures contract options trading accounts for an institutional client must:
   (i) comply with the requirements in Parts A, B and F of Rule 3200, and if applicable, Parts C, D, E and G of Rule 3200, with the exception of sections 3216 through 3219, and
   (ii) ensure the sub-account files of an institutional client refer to the documentation contained in the master file to which it is related.

(3) A Dealer Member must ensure that persons trading on its behalf or advising clients in options, futures contracts and futures contract options trading accounts meet minimum proficiency requirements.

3251. Reserved.

OPTIONS ACCOUNTS

3252. Additional requirements when opening an options account

(1) Before entering an initial options trade in an account, a Dealer Member must:
   (i) obtain a completed options account application from the client,
   (ii) obtain a signed options trading agreement from the client,
   (iii) provide the client with the most recent options disclosure statement or similar disclosure document, and
   (iv) record the designated Supervisor’s approval of each client account in writing.

(2) The designated Supervisor must determine whether the risk characteristics of the strategies the client intends to use are appropriate for the client and in keeping with their personal and financial circumstances, investment needs and objectives, investment knowledge, risk profile, investment time horizon and puts the client’s interest first. If they are not, the designated Supervisor should restrict the account from using inappropriate strategies and note on the option account approval any trading restrictions imposed and communicate those restrictions to the Registered Representative, Portfolio Manager or Associate Portfolio Manager assigned to the account.
3253. Options trading agreement

(1) A Dealer Member’s options trading agreement must define the rights and obligations of the Dealer Member and the client and, at a minimum, must include the following:
   (i) the time periods during which the Dealer Member accepts orders for execution,
   (ii) the Dealer Member’s right to exercise discretion in accepting orders,
   (iii) the Dealer Member’s obligations when errors and omissions occur,
   (iv) the method for distributing exercise assignment notices,
   (v) the Dealer Member’s deadlines for a client to submit an exercise notice,
   (vi) a notice that:
       (a) the Dealer Member may set maximum limits on short positions,
       (b) the Dealer Member may apply cash-only terms during the last 10 days before expiry, and
       (c) the Corporation may impose other rules affecting existing or subsequent transactions.
   (vii) the client’s obligation to instruct the Dealer Member to close positions before expiry,
   (viii) the client’s obligation to comply with Corporation requirements and any entity’s requirements through which the options is traded, cleared, or issued, including, without limitation, complying with position and exercise limits,
   (ix) the client’s positive acknowledgement of receiving the current options disclosure statement, and
   (x) any other matter required by an options trading, clearing or issuing entity.

3254. Letter of undertaking

(1) Instead of an options trading agreement, a Dealer Member may obtain a letter of undertaking for accounts where the client is:
   (i) an acceptable institution,
   (ii) an acceptable counterparty, or
   (iii) a regulated entity.

(2) The letter of undertaking must state that the client agrees to abide by Corporation requirements and the requirements of any entity through which options are traded or, cleared or issued, including, compliance with position and exercise limits.

3255. Options disclosure statement

(1) A Dealer Member must:
   (i) provide each options client with the current options disclosure statement or other similar document, approved by the Corporation before accepting an initial options order from the client,
   (ii) obtain the client’s positive acknowledgement of receipt of the options disclosure statement or similar document described in clause 3255(1)(i),
   (iii) provide each options client with any amendments to the options disclosure statement or similar document, as approved by the Corporation, and
(iv) maintain a record of the names and addresses of all clients to whom it has provided an options disclosure statement, or similar document, including any amendments and the date on which they were provided.

3256. Position and exercise limits

(1) A Dealer Member must comply with the requirements of any entity through which it trades or clears an option.

(2) A Dealer Member must comply with the position and exercise limits that apply under subsection 3256(1).

FUTURES CONTRACTS AND FUTURES CONTRACT OPTIONS ACCOUNTS

3257. Additional requirements when opening a futures contract or futures contract option account

(1) Before entering an initial futures contract or futures contract option trade in an account, a Dealer Member must:
   (i) obtain a completed futures contract or futures contract options account application from the client,
   (ii) obtain a signed futures contract or futures contract option trading agreement from the client,
   (iii) provide the client with the most recent futures disclosure statement or similar statement, and
   (iv) record the designated Supervisor’s approval in writing.

(2) The designated Supervisor must determine whether the risk characteristics of the strategies the client intends to use are appropriate for the client and in keeping with their personal and financial circumstances, investment needs and objectives, investment knowledge, risk profile, investment time horizon and puts the client’s interest first. If they are not, the designated Supervisor should restrict the account from using inappropriate strategies and note, on the futures contract account application or the futures contract option application, any trading restrictions imposed and communicate those restrictions to the Registered Representative, Portfolio Manager or Associate Portfolio Manager assigned to the account.

3258. Futures contract and futures contract option trading agreement

(1) A Dealer Member’s futures contract and futures contract option trading agreement must define the rights and obligations of the Dealer Member and the client and, at a minimum, must include the following:
   (i) the time periods during which the Dealer Member accepts orders for execution,
   (ii) the Dealer Member’s right to exercise discretion in accepting orders,
   (iii) the Dealer Member’s obligations when errors or omissions occur,
   (iv) the method for distributing exercise assignment notices,
   (v) the Dealer Member’s deadlines for a client to submit an exercise notice,
   (vi) the Dealer Member’s right to impose trading limits or closeout positions under specified conditions,
for futures contract options, the method for distributing exercise assignment notices and the client’s obligation to instruct the Dealer Member to close out contracts before the expiry date,

the conditions under which the Dealer Member may apply the client’s funds, securities or other property in the account or any other accounts of the client to satisfy outstanding debts or margin calls,

the extent of the Dealer Member’s right to use free credit balances in the client’s account for its own business or to cover debits in the same or other accounts,

the requirement for the Dealer Member to obtain client consent before the Dealer Member may take the other side to the client’s transaction, and whether the client provides such consent,

the Dealer Member’s right to raise money on and pledge assets held in the client’s account,

the extent of the Dealer Member’s right to deal with securities and other assets in the client’s account and to hold them as collateral against the client’s debts,

the Dealer Member’s right to provide information to regulators regarding reporting and position limits,

the client’s obligations to comply with reporting, position limit and exercise limit requirements that the relevant futures exchange or its clearing house establishes,

a statement that the Dealer Member requires a client to maintain a minimum margin that is the greater of:

(a) the amount the futures exchange or clearing house prescribes,
(b) Corporation requirements, or
(c) the Dealer Member’s requirements,

the client’s obligation to maintain adequate margin and security and to pay any debts to the Dealer Member,

a statement that the Dealer Member may commingle and use the client’s margin funds or property in its own business,

the client’s obligations to pay commission, if any,

the client’s obligation to pay interest on debit balances in the account, if any,

whether any discretionary authority is given to the Dealer Member, and if so, the discretionary authority must be clearly explained and specifically confirmed by the client, unless such discretionary authority is provided in another document. The authority must be consistent with the requirements contained within Part G of Rule 3200,

the client’s positive acknowledgement that they have received the futures disclosure statement, and

other than for a hedging account, a risk disclosure limit for futures trading indicating the maximum amount of cumulative losses the client can sustain which can be:

(a) on a life time basis, or
(b) on an annual basis, provided that it is updated annually.
3259. Letters of undertaking

(1) Instead of a futures contract or futures contract option trading agreement, a Dealer Member may obtain a letter of undertaking for accounts where the client is:

(i) an acceptable institution,
(ii) an acceptable counterparty,
(iii) a regulated entity, or
(iv) another adviser registered under any applicable laws relating to trading or advising in respect of futures contracts or futures contract options.

(2) The letter of undertaking must state that:

(i) the client agrees to abide by the Corporation’s requirements and the requirements of any entity through which futures contracts or futures contract options are traded or cleared, including complying with position and exercise limits, and
(ii) if the client has an account that is charged interest on a debit balance, the conditions under which transfers of the client’s funds, securities or other property may be made between accounts, unless these conditions are acknowledged by the client in another document.

3260. Futures disclosure statement

(1) A Dealer Member must:

(i) provide the client with the current futures disclosure statement or other similar document, approved by the Corporation, before accepting a futures contract or futures contract options account,
(ii) obtain the client’s positive acknowledgement of receipt of the futures disclosure statement or similar document described in clause 3260(1)(i),
(iii) provide each futures contract or futures contract options client with any amendments to the futures disclosure statement or similar document, approved by the Corporation, and
(iv) maintain records showing the names and addresses of all clients to whom it has sent a futures disclosure statement or similar documents, including any amendments and the date on which they were provided.

3261. Futures porting disclosures

(1) Where the client account is subject to a futures segregation and portability customer protection regime, a Dealer Member must:

(i) provide the client with a porting disclosure document on the benefits, risks and requirements for porting, including the conditions for porting positions to a replacement clearing member,
(ii) obtain the client’s acknowledgement that the client has received and understood the porting disclosure document or similar document described in clause 3261(1)(i), and
(iii) notify the client of the obligation of the Dealer Member to provide the clearing corporation with information and reports related to the client’s positions.

As described in IIROC Notice 22-0191, clause 3261(1)(ii) is effective on December 31, 2024 for clients that existed prior to March 31, 2023.
3262. – 3269. Reserved.

PART G – DISCRETIONARY ACCOUNTS AND MANAGED ACCOUNTS

3270. Definitions

(1) The following term has the meaning set out below when used in sections 3271 through 3281:

<table>
<thead>
<tr>
<th>“responsible person”</th>
<th>A partner, Director, officer, employee or agent of a Dealer Member who:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(i) exercises discretionary authority over the account of a client or approves discretionary orders for an account when exercising such discretion or giving such approval pursuant to sections 3273 through 3276, or</td>
</tr>
<tr>
<td></td>
<td>(ii) participates in the formulation of, or has prior access information regarding investment decisions made on behalf of or advice given to a managed account but does not include a sub-adviser under section 3279.</td>
</tr>
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</table>

3271. Rules applicable to discretionary accounts and managed accounts

(1) For the purposes of Rule 3200, a Dealer Member that accepts a discretionary account or a managed account for a retail client must comply with the requirements in Parts A, B and G of Rule 3200, and if applicable, Parts C, E and F of Rule 3200.

(2) For the purposes of Rule 3200, a Dealer Member that opens a discretionary account or a managed account for an institutional client must:

(i) comply with the requirements in Parts A, B and G of Rule 3200, and if applicable, Parts C, E and F of Rule 3200, with the exception of sections 3216 through 3219, and

(ii) ensure the sub-account files of an institutional client refer to the documentation contained in the master file to which it is related.

(3) The Dealer Member must ensure that individuals trading or advising on its behalf, in discretionary accounts or managed accounts, meet the applicable proficiency requirements.

3272. Reserved.

DISCRETIONARY ACCOUNTS

3273. Accepting a discretionary account

(1) To accept discretionary accounts:

(i) the Dealer Member must designate one or more designated Supervisors, who meet the proficiency requirements set out in Rule 2600, to be responsible for the discretionary accounts,

(ii) the Dealer Member’s policies and procedures must specifically address the supervision and operation of discretionary accounts in accordance with Rule 3900,
(iii) the Dealer Member must identify discretionary accounts in its books and records to allow supervision of the discretionary accounts in accordance with Rule 3900,
(iv) the Dealer Member must enter into a discretionary account agreement with the client prior to accepting the account as a discretionary account,
(v) the designated Supervisor must approve the account as a discretionary account and approve the discretionary account agreement signed by the client, and
(vi) the Dealer Member must maintain a record of the designated Supervisor’s approval in accordance with the record retention requirements in section 3803.

3274. Discretionary account agreement

(1) A discretionary account agreement must:
   (i) define the extent of the discretionary authority given to the Dealer Member by the client,
   (ii) include any restrictions on the discretionary authority,
   (iii) have a maximum term of no longer than 12 months,
   (iv) not be renewable, and
   (v) set out the terms of termination in accordance with subsection 3274(2).

(2) A discretionary account agreement may only be terminated by written notice:
   (i) by the client, effective when received by the Dealer Member, except for orders entered prior to receipt of the notice, or
   (ii) by the Dealer Member, effective not less than 30 days from the date the Dealer Member delivered the notice to the client.

3275. Persons authorized to affect discretionary trades

(1) A Registered Representative may only be authorized to affect trades for a discretionary account if:
   (i) the Registered Representative has at least two years of active experience in trading, advising or performing analysis with respect to all types of products that are to be traded on a discretionary basis, and
   (ii) the discretionary account is maintained at the Dealer Member on whose behalf the Registered Representative, conducts business.

3276. Conflicts of interest

(1) A discretionary account must not hold any publicly traded securities of the Dealer Member or its affiliates.

(2) A responsible person or a Dealer Member must not trade for his or her or the Dealer Member’s own account, or knowingly permit or arrange any associate or affiliate to trade, in reliance upon information relating to trades made or to be made in a discretionary account.

(3) A responsible person or a Dealer Member must not, without the prior written consent of the client, knowingly allow a discretionary account to:
   (i) invest in a security or derivative of a security of an issuer if the individuals authorized under subsection 3275(1) to deal with discretionary accounts is an officer or director of the issuer, unless the position with the issuer is disclosed to the client, or
   (ii) invest in new issues or secondary offerings underwritten by the Dealer Member.
(4) A responsible person or a Dealer Member must not allow a discretionary account to provide a guarantee or loan to a responsible person or an associate of a responsible person.

MANAGED ACCOUNTS

3277. Opening a managed account

(1) To accept managed accounts:

(i) the Dealer Member must designate a Supervisor to be responsible for managed accounts,

(ii) the Dealer Member’s policies and procedures must specifically address the supervision and operation of managed accounts in accordance with Corporation requirements,

(iii) the Dealer Member must enter into a managed account agreement with the client prior to opening a managed account,

(iv) the designated Supervisor must approve each managed account in writing,

(v) the Dealer Member must retain a record of the designated Supervisor’s approval, and

(vi) the Dealer Member must provide the client with a copy of its policy ensuring fair allocation of investment opportunities.

3278. Managed account agreement

(1) The managed account agreement must:

(i) describe or refer to the client’s personal and financial circumstances, investment knowledge, investment time horizon, investment needs and objectives and risk profile that are applicable to the managed account or accounts,

(ii) describe any investment restrictions imposed by the client, where permitted by the Dealer Member, and

(iii) set out the terms of termination in accordance with subsection 3278(2).

(2) The managed account agreement may only be terminated by written notice:

(i) by the client, effective on receipt by the Dealer Member, except for transactions entered prior to receipt of the notice, or

(ii) by the Dealer Member, effective not less than 30 days from the date the Dealer Member delivered the notice to the client.

3279. Persons authorized to deal with managed accounts

(1) A Dealer Member must designate an individual authorized to deal with managed accounts who is:

(i) a Portfolio Manager,

(ii) an Associate Portfolio Manager, or

(iii) a sub-advisor with whom the Dealer Member has entered into a written sub-advisor agreement.

(2) The sub-advisor in clause 3279(1)(iii) must be:

(i) registered or licensed, or operating under an exemption from registration or licensing, under securities laws of the jurisdiction in which its head office or principal place of business is located, that permits it to carry on managed account activities, or its equivalent, in such jurisdiction, and
(ii) subject to legislation or regulations containing conflict of interest provisions at least equivalent to those set out in section 3280 or has entered into an agreement with the Dealer Member that it will comply with section 3280.

3280. Conflicts of interest

(1) A responsible person or a Dealer Member must not trade for their or the Dealer Member’s own account, or knowingly permit or arrange any associate or affiliate to trade, in reliance upon information relating to trades made or to be made in a managed account.

(2) A responsible person or a Dealer Member must not, without the prior written consent of the client, knowingly allow a managed account to:

   (i) invest in a security or derivative of a security of an issuer that is related or connected to a responsible person or to the Dealer Member,

   (ii) invest in a security or derivative of a security of an issuer if the individuals authorized under subsection 3279(1) to deal with managed accounts is an officer or director of the issuer, unless the position with the issuer is disclosed to the client, or

   (iii) invest in new issues or secondary offerings underwritten by the Dealer Member.

(3) A responsible person or a Dealer Member must not knowingly cause any managed account to:

   (i) purchase or sell a security or derivative of a security of an issuer from or to the account of a Portfolio Manager, an Associate Portfolio Manager or an associate of a Portfolio Manager or an associate of an Associate Portfolio Manager,

   (ii) purchase or sell a security or derivative of a security of an issuer from or to an investment fund for which a responsible person acts as an adviser, or

   (iii) provide a guarantee or loan to a responsible person or an associate of a responsible person.

(4) A Dealer Member must fairly allocate investment opportunities among its managed accounts.

3281. Fees and remuneration

(1) A Dealer Member may not charge a client directly for services rendered to the managed account, that is:

   (i) based upon the volume or value of transactions in the account initiated for the account, or

   (ii) contingent upon profit or performance of the client’s account,

   unless the client has provided the Dealer Member with a written agreement which sets out the manner in which the fees may be charged based on volume or value of transactions or contingent upon profit or performance.

(2) A Dealer Member must not compensate a person referred to in section 3279, on the basis of the value or volume of transactions in the account.

3282. -3299. Reserved.
RULE 3300 | PRODUCT DUE DILIGENCE AND KNOW-YOUR-PRODUCT

3301. Product Due Diligence
   (1) A Dealer Member must not make securities available to clients unless the Dealer Member has taken reasonable steps to:
       (i) assess the relevant aspects of the securities, including the securities’ structure, features, risks, initial and ongoing costs and the impact of those costs,
       (ii) approve the securities to be made available to clients, and
       (iii) monitor the securities for significant changes.
   (2) An Approved Person must not purchase securities for, or recommend securities to, a client unless the securities have been approved by the Dealer Member to be made available to clients under subsection 3301(1).

3302. Know-Your-Product
   (1) An Approved Person of a Dealer Member must not purchase or sell securities for, or recommend securities to, a client unless the Approved Person takes steps to understand the securities, including the securities’ structure, features, risks, initial and ongoing costs and the impact of those costs.
   (2) For purposes of subsection 3302(1), the steps required to understand the security are those that are reasonable to enable the Approved Person to meet their obligations under Rule 3400.

3303. Exemptions from Product Due Diligence and Know-Your-Product
   (1) Section 3301 does not apply in respect to an account maintained at a Dealer Member who is a carrying broker for that account or who only provides trade execution, clearing, settlement or custody services or a combination of these services to another Dealer Member, portfolio manager, exempt market dealer or their respective clients, for that account.
   (2) Section 3302 does not apply in respect to:
       (i) an order execution only account,
       (ii) a direct electronic access account, or
       (iii) an account maintained at a dealer member who is a carrying broker for that account or who only provides trade execution, clearing, settlement or custody services or a combination of these services to another dealer member, portfolio manager, exempt market dealer or their respective clients, for that account.

3304. - 3399. Reserved.
RULE 3400 | SUITABILITY DETERMINATION

3401. Introduction

(1) Rule 3400 sets out a Dealer Member’s suitability determination obligations in dealing with clients.

3402. Retail client suitability determination requirements

(1) Before a Dealer Member purchases, sells, withdraws, exchanges or transfers-out securities for a retail client’s account, takes any other investment action for a client, makes a recommendation or exercises discretion to take any such action, the Dealer Member must determine, on a reasonable basis, that the action satisfies the following criteria:

(i) the action is suitable for the retail client, based on the following factors:
   (a) the retail client’s information collected in accordance with section 3202,
   (b) the Dealer Member’s assessment of and an Approved Person’s understanding of the security required in accordance with Rule 3300,
   (c) the impact of the action on the retail client’s account, including the concentration of securities within the account and the liquidity of those securities,
   (d) the potential and actual impact of costs on the retail client’s returns, and
   (e) a consideration of a reasonable range of alternative actions available to the Registered Representative, Portfolio Manager, or Associate Portfolio Manager through the Dealer Member at the time the determination is made, and

(ii) the action puts the retail client’s interest first.

(2) A Dealer Member must review the retail client’s account and the securities in the retail client’s account to determine whether the criteria in subsection 3402(1) are met, and take reasonable steps, within a reasonable time, after any of the following events:

(i) securities are received or delivered into the client’s account by way of deposit or transfer-in,
(ii) a Registered Representative, Portfolio Manager or Associate Portfolio Manager is designated as responsible for the account,
(iii) the Dealer Member becomes aware of a change in the retail client’s information collected in accordance with subsection 3202(1) that could result in a security or the retail client’s account not satisfying subsection 3402(1),
(iv) the Dealer Member becomes aware of a change in a security in the retail client’s account that could result in the security or account not satisfying subsection 3402(1), or
(v) the Dealer Member reviews the retail client’s information in accordance with subsection 3209(4).

(3) A Dealer Member must determine, on a reasonable basis and putting the retail client’s interest first, that:

(i) it is suitable for the retail client to continue having an account with the Dealer Member, and
(ii) the scope of products, services and account relationships which the retail client has access to within the account are suitable for the retail client.

(4) When making a suitability determination pursuant to subsection 3402(1), a Dealer Member must determine, on a reasonable basis, that the retail client’s account portfolio of investments that
would result from the investment action the Dealer Member takes, recommends or exercises discretion to take is suitable for the retail client and puts the retail client’s interest first.

(5) Despite subsection 3402(1), if a Dealer Member receives an instruction from a retail client to take an action that, if taken, does not satisfy subsections 3402(1), the Dealer Member may carry out the retail client’s instruction if the Dealer Member has:

(i) informed the retail client of the basis for the determination that the action will not satisfy subsection 3402(1) and advised the client against proceeding with the order,

(ii) recommended to the retail client an alternative action that satisfies subsection 3402(1), and

(iii) received recorded confirmation of the retail client’s instruction to proceed with the action despite the determination referred to in clause 3402(5)(i).

3403. Institutional client suitability determination requirements

(1) Subject to the applicable exemptions set out in section 3404, a suitability determination must be made for an institutional client:

(i) before any order is accepted from the client, and

(ii) before a recommendation is made to the client to purchase, sell, exchange or hold a security.

(2) When a suitability determination must be made for an institutional client pursuant to subsection 3403(1), a Dealer Member must make a determination whether the client is sufficiently sophisticated and capable of making its own investment decisions in order to determine the level of suitability owed to that institutional client. In making a determination whether a client is capable of independently evaluating investment risk and is exercising independent judgment, relevant considerations include:

(i) any written or oral understanding that exists between a Dealer Member and its client regarding the client’s reliance on the Dealer Member,

(ii) the presence or absence of a pattern of acceptance of the Dealer Member’s recommendations,

(iii) the use by a client of ideas, suggestions, market views and information obtained from other Dealer Members, market professionals or issuers particularly those relating to the same type of securities,

(iv) the use of one or more investment dealers, portfolio managers or other third party advisors,

(v) the general level of experience of the client in financial markets,

(vi) the specific experience of the client with the type of instrument under consideration, including the client’s ability to independently evaluate how market developments would affect the security and ancillary risks such as currency rate risk, and

(vii) the complexity of the securities involved.

(3) Once each suitability determination has been made and:

(i) the Dealer Member has reasonable grounds for concluding that the institutional client is capable of making an independent investment decision and independently evaluating the investment risk, then the Dealer Member’s suitability obligation is fulfilled for that transaction, or
(ii) the Dealer Member does not have reasonable grounds for concluding that the institutional client is capable of making an independent investment decision and independently evaluating the investment risk, then the Dealer Member must take steps to ensure that the institutional client fully understands the investment product, including the potential risks.

(4) A Dealer Member must determine, on a reasonable basis and putting the institutional client’s interest first, that:

(i) it is suitable for the institutional client to continue having an account with the Dealer Member, and

(ii) the scope of products, services and account relationships which the institutional client has access to within the account are suitable for the institutional client.

3404. Exemptions from the suitability determination requirements

(1) Other than clauses 3402(3)(i) and 3403(4)(i), sections 3402 or 3403 do not apply in respect to:

(i) an order execution only account, or

(ii) a direct electronic access account.

(2) Sections 3402 and 3403 do not apply in respect to an account maintained at a Dealer Member who is a carrying broker for that account or who only provides trade execution, clearing, settlement or custody services or a combination of these services to another Dealer Member, portfolio manager, exempt market dealer or their respective clients, for that account.

(3) Other than subsection 3403(4), section 3403 does not apply in respect to:

(i) an account held by a Dealer Member, regulated entity, exempt market dealer, portfolio manager, bank, trust company or insurance company, or

(ii) an account held by an institutional client that:

(a) is also a “permitted client”, as defined in National Instrument 31-103,

(b) is not a client described in clause 3404(3)(i), and

(c) has waived, in writing, the protections offered to them under subsections 3403(1) and 3403(2).

(4) Subsection 3403(4) does not apply to an account held by an institutional client who is a Dealer Member, regulated entity, exempt market dealer, portfolio manager, bank, trust company or insurance company.

3405. Reserved.

3406. Primary responsibility and delegation

(1) Compliance with Corporation requirements relating to suitability determination is primarily the responsibility of the Registered Representative, Portfolio Manager or Associate Portfolio Manager assigned to the client account.

(2) Registered Representatives, Portfolio Managers and Associate Portfolio Managers must not delegate their responsibility for suitability assessment obligations to any other person.

3407 - 3499. Reserved.
RULE 3500 | SALES PRACTICES

3501. Introduction

(1) Rule 3500 sets out minimum standards that Dealer Members must follow in their dealings with clients and when developing policies and procedures that specifically address sales practices.

3502. Definitions

(1) The following terms have the meanings set out below when used in Rule 3500:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
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<tbody>
<tr>
<td>&quot;commencement of distribution&quot;</td>
<td>The time when a Dealer Member has had distribution discussions which are of sufficient specificity that it is reasonable to expect that the Dealer Member (alone or with other underwriters) will propose an underwriting of equity securities to the issuer or selling security-holder.</td>
</tr>
<tr>
<td>&quot;distribution&quot;</td>
<td>The same meaning as defined under securities laws and includes a distribution pursuant to a bought deal agreement.</td>
</tr>
<tr>
<td>&quot;distribution discussions&quot;</td>
<td>Discussions by a Dealer Member with an issuer or a selling security-holder, or with another underwriter that has had discussions with an issuer or selling security-holder, concerning a distribution.</td>
</tr>
</tbody>
</table>

3503. Client priority

(1) A Dealer Member must give priority to client orders over all other orders for the same security at the same price.

(2) The Dealer Member must not give priority to orders for an account in which the Dealer Member or an employee or Approved Person of the Dealer Member has a direct or indirect interest, other than an interest in the commission charged.

(3) Where investment decisions are made centrally and applied across a number of managed accounts, subsections 3503(1) and 3503(2) do not apply to the managed accounts of partners, Directors, officers, employees or Approved Persons of a Dealer Member who participate in a managed account program on the same basis as client accounts.

3504. Commission fees, service fees and other account related fees

(1) Upon the opening of an account, or 60 days prior to any fee being charged with respect to the account, a Dealer Member must provide each client with a fee schedule relating to any:

   (i) fixed dollar or fixed percentage commission fees,
   (ii) service fees,
   (iii) administrative fees, and
   (iv) other account charges.

(2) A Dealer Member who charges any of the fees identified in subsection 3504(1) may not charge a higher fee unless it has given 60 days’ notice of this change to its clients.

(3) The requirements set out in subsections 3504(1) and (2) do not apply to accounts of institutional clients.

(4) The disclosure requirements set out in subsections 3504(1) and (2) do not apply to interest charged by a Dealer Member in respect of an account.
(5) A Dealer Member may not charge a client a fee that is contingent upon the profit or performance of the client’s account, unless specifically permitted under Corporation requirements.

3505. Payment of commission fees

(1) Unless otherwise permitted under securities laws, a Dealer Member must not pay any commission fees or other fees in connection with payments received from a client or issuer, to any person other than a Registered Representative, Investment Representative, Portfolio Manager or Associate Portfolio Manager.

3506. During the period of distribution

(1) During the period of distribution, a Dealer Member who participates in a distribution as an underwriter or as a member of a banking or selling group, must not offer for sale or accept any offer to buy all or any part of those securities at a price higher than the stated initial public offering price of the securities, and

(2) This obligation continues until the Dealer Member has notified the applicable securities commission that its role in the distribution has ended.

3507. New issues

(1) For the purpose of section 3507, the term “normal investment practice” does not include an account that has regularly purchased “hot issues” based on the history of investments in that account with the Dealer Member.

(2) A Dealer Member must make a bona fide offering of the total amount of its participation in a new issue to public investors.

(3) Public investors do not include an officer or employee of a bank, insurance company, trust company, investment fund, pension fund or similar institutional body or the immediate families of an officer or employee of these institutions regularly engaged in the purchase or sale of securities for such institution unless:
   (i) the purchases are demonstrated to be for bona fide personal investment, and
   (ii) are made in accordance with the person’s normal investment practice.

3508. Inside information

(1) For the purpose of section 3508 “material non-public information” means material facts or material changes not generally disclosed as defined under securities laws.

(2) A Director, Executive or employee of a Dealer Member acting as a director to a reporting issuer is a person in a special relationship with the reporting issuer and must not disclose any material non-public information about the reporting issuer to anyone including any Directors, Executives, employees or clients, or research or trading departments of the Dealer Member unless in the necessary course of business.

(3) A representative of a Dealer Member acting in an underwriting or advisory capacity to a reporting issuer is a person in a special relationship with the reporting issuer and must not disclose any material non-public information about the reporting issuer to anyone including any Directors, Executives, employees or clients, or research or trading departments of the Dealer Member unless in the necessary course of business.
(4) When a Dealer Member, Director, Executive or employee of a Dealer Member has material non-public information about the issuer and discloses it to other personnel of the Dealer Member in the necessary course of business, those persons also become persons in a special relationship with the reporting issuer and must not disclose any material non-public information about the reporting issuer to anyone including any Directors, Executives, employees or clients, or research or trading departments of the Dealer Member unless in the necessary course of business.

(5) A Dealer Member’s policies and procedures must specifically address maintaining the confidentiality of material non-public information.

3509. Premarketing

(1) In subsections 3509(2), 3509(4) and 3509(5), an “informed person” refers to any employee or Approved Person of a Dealer Member who:

(i) participated in or had actual knowledge of the distribution discussions, or

(ii) acts on information provided by or is directed by, induced by, or otherwise receives suggestions from a person who directly or indirectly participated in or had actual knowledge of the distribution discussions.

(2) An informed person must not solicit expressions of interest from the public, in the type of securities subject to distribution discussions, from the commencement of distribution discussions until the earliest of:

(i) the issuance of a receipt for the preliminary prospectus,

(ii) a press release issued and filed in accordance with applicable laws, announcing the signing of an enforceable agreement in respect of the potential distribution, and

(iii) the Dealer Member deciding not to pursue the potential distribution.

(3) For the purpose of clause 3509(2)(ii), a press release will be deemed to have been issued when it is released to a news distribution service for distribution and will be deemed to have been filed when delivered or sent to the relevant provincial securities regulatory authority, in accordance with securities laws.

(4) An informed person must not engage, direct, suggest or induce another informed person to engage in market making or other principal trading activities in securities that are the subject of distribution discussions.

(5) Where a Dealer Member and issuer or selling security-holder can show a bona fide intention to distribute the equity securities pursuant to a prospectus exemption:

(i) the Dealer Member including the informed person will not be subject to the restrictions in subsection 3509(2),

(ii) notwithstanding clause 3509(5)(i), the restrictions in subsection 3509(2) will apply from the time it is reasonable to expect that a decision to abandon an exempt offering of equity securities in favor of a prospectus offering will be taken.

(6) A Dealer Member involved in a distribution as an underwriter must:

(i) maintain policies and procedures that specifically address compliance with the obligations under section 3509, and
(ii) monitor the Dealer Member, its employees and Approved Persons compliance with these policies and procedures.

3510. - 3599. Reserved.
RULE 3600 | COMMUNICATIONS WITH THE PUBLIC

3601. Introduction

(1) A Dealer Member’s policies and procedures must specifically address communication with the public and the Dealer Member must monitor compliance with these policies and procedures to provide reasonable assurance the Dealer Member, its employees and Approved Persons comply with the policies and procedures.

(2) Rule 3600 is divided into the following parts:

Part A – Advertisements, sales literature and correspondence
[sections 3602 and 3603]

Part B – Research reports
[sections 3606 through 3623]

Part C – Misleading Communications
[section 3640]

PART A – ADVERTISEMENTS, SALES LITERATURE AND CORRESPONDENCE

3602. Reserved.

3603. Advertising

(1) A Dealer Member must not issue, participate in or knowingly allow the use of its name in any advertisement, sales literature or correspondence that:

(i) contains an untrue statement or omission of a material fact or is otherwise false or misleading,

(ii) contains an unjustified promise of specific results,

(iii) uses unrepresentative statistics to suggest unwarranted or exaggerated conclusions, or fails to identify the material assumptions made in arriving at these conclusions,

(iv) contains any opinion or forecast of future events which is not clearly labeled as such,

(v) fails to fairly present the potential risks to the client,

(vi) is detrimental to the interests of the public, the Corporation or its Dealer Members, or

(vii) fails to comply with Corporation requirements or any applicable laws.

(2) A Dealer Member’s policies and procedures must specifically address the review and supervision of advertisements, sales literature and correspondence relating to its business.

(3) A Dealer Member must ensure that the following items are approved by a designated Supervisor before use or publication:

(i) research reports,

(ii) market letters,

(iii) telemarketing scripts,

(iv) promotional seminar texts (excluding educational seminar texts),

(v) original advertisements or original template advertisements, and

(vi) any material containing performance reports or summaries that is used to solicit clients.
(4) A Dealer Member must ensure that all advertising, sales literature or correspondence not listed in subsection 3603(3) is reviewed in a manner appropriate to the type of material through:
(i) pre-use approval,
(ii) post-use review, or
(iii) post-use sampling.

(5) A Dealer Member must provide reasonable assurance:
(i) its employees and Approved Persons are familiar with its policies and procedures relating to advertisements, sales literature and correspondence, and
(ii) its policies and procedures include specific ongoing measures to provide reasonable assurance its policies and procedures are being complied with.

(6) A Dealer Member must retain copies of all advertisements, sales literature and correspondence and all records of supervision for the period set out in section 3803. These items must be readily available for inspection by the Corporation.

3604. – 3605. Reserved.

PART B – RESEARCH REPORTS

3606. Definitions

(1) The following terms have the meaning set out below when used in Part B of Rule 3600:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
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<tbody>
<tr>
<td>“analyst”</td>
<td>A Dealer Member’s employee or Approved Person who is held out to the public as an analyst or whose responsibilities to the Dealer Member include the preparation, for distribution to clients or prospective clients, of any written report, which includes a recommendation with respect to a security.</td>
</tr>
<tr>
<td>“equity related security”</td>
<td>A security whose performance is based on the performance of an underlying equity security or a basket of income producing assets, including derivatives, convertible securities and income trust units.</td>
</tr>
<tr>
<td>“investment banking” or “investment banking service”</td>
<td>Includes but is not limited to: (i) acting as an underwriter in an offering of securities for an issuer, (ii) acting as a financial adviser in a merger or acquisition, or (iii) providing venture capital, lines of credit or serving as a placement agent for an issuer.</td>
</tr>
</tbody>
</table>

3607. Policies and procedures and minimum disclosure

(1) A Dealer Member’s policies and procedures must specifically address:
(i) the conduct of analysts,
(ii) the publishing of research reports, and
(iii) the making of recommendations by analysts.

(2) A Dealer Member must designate one or more Supervisors to be responsible for reviewing and approving research reports.
3608. **Research report disclosure of potential conflicts of interest**

(1) A research report prepared by the Dealer Member must disclose any matter which might reasonably indicate an existing or potential conflict of interest for the Dealer Member or the analyst, which includes, but is not limited to, the matters set out in subsection 3608(2).

(2) A research report prepared by the Dealer Member must disclose:

(i) if the Dealer Member or its affiliates has beneficial ownership of the equity securities of the subject issuer that amounts to one percent or more of any class of such securities:
   (a) as of the end of the month prior to the issuance date of the research report, or
   (b) as of the end of the second most recent month if the report issuance date is less than 10 days after the end of the prior month,

(ii) if:
   (a) the analyst,
   (b) an associate of the analyst, or
   (c) any person directly involved in the preparation of the report, holds or is short any of the issuer’s securities directly or indirectly,

(iii) any services provided by any partner, Director or officer of the Dealer Member or analyst involved in the preparation of a report, other than services provided in the normal course investment advisory or trade execution services to the issuer for remuneration, during the 12 months immediately preceding the date a research report or recommendation was issued,

(iv) any investment banking services provided by the Dealer Member to the issuer for remuneration during the 12 months immediately preceding the date a research report or recommendation was issued,

(v) the name of any partner, Director, officer, employee or agent of the Dealer Member who is a partner, director, officer or employee of the issuer, or who serves in an equivalent advisory capacity to the issuer, and

(vi) if it is making a market in any equity security or equity related security of the subject issuer.

3609. **Additional disclosures**

(1) A research report must disclose or indicate where the following information is otherwise available:

(i) the Dealer Member’s system for rating investment opportunities and how each recommendation fits within the system, and

(ii) the Dealer Member’s policies and procedures that specifically address the dissemination of its research reports.

(2) A Dealer Member must, on a quarterly basis, disclose the percentage of its recommendations that fall into each category of its recommendation system.

3610. **Quality of disclosures in a research report**

(1) A Dealer Member must ensure that the research report disclosures required in sections 3608 and 3609 are made in a clear, meaningful, comprehensive and prominent manner.
(2) The Dealer Member must not use standard disclosure statements when it is more appropriate to use specific information and customized disclosures in order to comply with the requirements set out in section 3608 or 3609.

3611. Independent third party research report

(1) The disclosures required by sections 3608 and 3609 are applicable to research reports prepared by an independent third party that is distributed by a Dealer Member to its clients under the independent third party’s name.

(2) The disclosures in sections 3608 and 3609 are not required in the following circumstances:

(i) in the case of independent third party research reports that are issued by members of the Financial Industry Regulatory Authority or persons governed by other regulators approved by the Corporation, or

(ii) when a Dealer Member is only giving clients access to independent third party research report, or supplying an independent third party research report at the request of a client, and

(iii) the Dealer Member discloses that the independent third party research report was not prepared in accordance with Canadian disclosure requirements relating to research reports.

3612. Directing the reader to disclosures

(1) When a Dealer Member distributes a research report:

(i) covering six or more issuers, the report may direct the reader to where the disclosures required under sections 3608, 3609 and 3616 may be found, or

(ii) electronically, the report may direct the reader to where the disclosures required under sections 3608, 3609 and 3616 may be accessed by electronic means, such as through the use of a hyperlink.

3613. Visiting an issuer

(1) A Dealer Member must disclose in its research reports:

(i) whether, and to what extent, an analyst has visited the issuer’s material operations, and

(ii) if the issuer has paid or reimbursed any of the analyst’s travel expenses with respect to the visit.

3614. Relationship with the issuer

(1) A Dealer Member must not issue a research report prepared by an analyst on any issuer for which the analyst, an associate of the analyst or the designated Supervisor:

(i) serves as an officer, director or employee of the issuer, or

(ii) serves in any advisory capacity to the issuer.

3615. Notice to discontinue coverage

(1) A Dealer Member must issue notice of its intention to suspend or discontinue coverage of an issuer, to the same audience who received the coverage and in the same manner that the coverage was distributed.
Notice of discontinuance of coverage is not required if the sole reason for the suspension is that the issuer has been placed on a Dealer Member’s restricted list.

3616. Setting price targets
(1) If a Dealer Member sets a price target in a research report, the Dealer Member must disclose, in that research report, the valuation method used.

3617. Prohibited inducements
(1) A Dealer Member must not, as consideration or inducement for the receipt of business or compensation from an issuer, directly or indirectly:
   (i) offer to issue favourable research report on the issuer,
   (ii) offer to set a favourable rating or price target on one or more of the issuer’s securities,
   (iii) offer to delay the changing of a rating or price target on one or more of the issuer’s securities or the changing of any other research report element, including offering to delay the issue date of the research report, or
   (iv) threaten to change a rating or a price target on one or more of the issuer’s securities or any other element of a research report.

3618. Public comments
(1) When giving an interview or otherwise making any public comment about the merits of an issuer or its securities, an employee or Approved Person of a Dealer Member must disclose whether or not the Dealer Member has issued a relevant research report.

3619. Policies and procedures on trading
(1) A Dealer Member who issues or distributes research reports must have policies and procedures that specifically address detecting and restricting any trading in equity securities or equity related securities of a subject issuer that is done with knowledge of or in anticipation of:
   (i) the issuance of a research report,
   (ii) a new recommendation, or
   (iii) a change in a recommendation,
   related to the subject security that could reasonably be expected to have an effect on the price of the subject securities.

(2) An individual directly involved in the preparation or approval of a research report must not trade in equity securities or equity related securities of the subject issuer for a period beginning 30 days prior to and ending five days after the issuance of the research report.

(3) Notwithstanding subsection 3619(2), an individual may trade with the prior written approval of a designated Executive of the Dealer Member.

(4) Approval under subsection 3619(3) may not be granted for trades that are contrary to the analyst’s current recommendation, unless special circumstances exist.
3620. Prohibition on investment banking compensation

(1) A research report must disclose if the analyst responsible for the report received compensation within the prior 12 months that was based upon the Dealer Member’s investment banking revenues.

(2) A Dealer Member must not pay any bonus, salary or other compensation to an analyst that is directly based upon a specific investment banking transaction.

3621. Relationship with investment banking

(1) A Dealer Member’s policies and procedures must specifically address preventing recommendations in research reports from being influenced by the investment banking department or the issuer.

(2) The policies and procedures must specifically address, at a minimum:

(i) prohibiting the approval of research reports by the investment banking department,

(ii) limiting the investment banking department’s involvement in the production of research reports solely to the correction of factual errors,

(iii) prohibiting and preventing the investment banking department from receiving advance notice of new ratings or rating changes on covered issuers, and

(iv) establishing systems to control and record the flow of information between analysts and investment banking department staff, regarding issuers that are the subject of current or prospective research reports.

3622. Quiet periods

(1) A Dealer Member must not issue a research report on equity securities of a subject issuer for which the Dealer Member has acted as manager or co-manager:

(i) for 10 days after the date of the offering of an initial public offering of equity securities of the subject issuer,

(ii) for three days after the date of the offering of a secondary offering of equity securities of the subject issuer.

(2) Subsection 3622(1) does not prevent a Dealer Member from issuing a research report on the effects of significant news about or a significant event affecting the issuer within the applicable 10 day or three day period.

(3) Subsection 3622(1) does not apply where the subject securities are exempted from restrictions under provisions relating to market stabilization set out in Corporation requirements and securities laws.

3623. Outside activities

(1) A Dealer Member must pre-approve an analyst’s outside activities.
3624. – 3639. Reserved.

PART C – MISLEADING COMMUNICATIONS

3640. Misleading communications

(1) An Approved Person must not hold themselves out, and a Dealer Member must not hold itself or its Approved Persons out, including through the use of a trade name, in a manner that could reasonably be expected to deceive or mislead any person or company as to any of the following matters:

(i) the proficiency, experience, qualifications or category of registration or approval of the Approved Person,

(ii) the nature of the person’s relationship, or potential relationship, with the Dealer Member or the Approved Person, or

(iii) the products or services provided, or to be provided, by the Dealer Member or the Approved Person.

(2) For greater certainty, and without limiting subsection 3640(1), an Approved Person who interacts with clients must not use any of the following:

(i) if based partly or entirely on that Approved Person’s sales activity or revenue generation, a title, designation, award, or recognition,

(ii) a corporate officer title, unless their Dealer Member has appointed that Approved Person to that corporate office pursuant to applicable corporate law, or

(iii) if the Approved Person’s Dealer Member has not approved the use by that Approved Person of a title or designation, that title or designation.

3641. – 3699. Reserved.
Corporation Investment Dealer and Partially Consolidated Rules

RULE 3700 | REPORTING AND HANDLING OF COMPLAINTS, INTERNAL INVESTIGATIONS AND OTHER REPORTABLE MATTERS

3701. Introduction
   (1) A Dealer Member must report complaints, internal investigations and other matters to the Corporation as required in Rule 3700.
   (2) A Dealer Member must investigate allegations of misconduct as required in Rule 3700.
   (3) A Dealer Member must handle all client complaints as required in Rule 3700.
   (4) Rule 3700 is divided into the following parts:
       Part A – Reporting requirements
       [sections 3702 through 3704]
       Part B – Internal investigations and internal discipline
       [sections 3706 through 3708]
       Part C – Settlement agreements
       [sections 3710 and 3711]
       Part D – Client complaints – Institutional Clients
       [section 3715]
       Part E – Client complaints – Retail Clients
       [sections 3720 through 3728]
       Part F – Legal actions
       [section 3780]
       Part G – Record retention requirements
       [sections 3785 and 3786]

PART A – REPORTING REQUIREMENTS

3702. Reporting by an Approved Person to the Dealer Member
   (1) An Approved Person must report to the Dealer Member any of the following matters within two business days:
       (i) if there is a change in the Approved Person’s registration information or Form 33-109F4,
       (ii) if the Approved Person has reason to believe that he or she has or may currently be contravening any Corporation requirements, securities laws, or any applicable laws,
       (iii) if the Approved Person is the subject of a written client complaint, or
       (iv) if the Approved Person becomes aware of a client complaint, in writing or other form, about another Approved Person involving allegations of theft, fraud, misappropriation of funds or securities, forgery, money laundering, market manipulation, insider trading, misrepresentation, or unauthorized trading.
   (2) An Approved Person must inform the Dealer Member of all pending legal actions against the Approved Person.
A Dealer Member must designate an individual or department to receive, and maintain records of, the reports required by subsection 3702(1).

3703. Reporting by a Dealer Member to the Corporation

(1) For purposes of this section 3703, a “cybersecurity incident” includes any act to gain unauthorized access to, disrupt or misuse a Dealer Member’s information system, or information stored on such information system, that has resulted in, or has a reasonable likelihood of resulting in:
   (i) substantial harm to any person,
   (ii) a material impact on any part of the normal operations of the Dealer Member,
   (iii) invoking the Dealer Member’s business continuity plan or disaster recovery plan, or
   (iv) the Dealer Member being required under any applicable laws to provide notice to any government body, securities regulatory authority or other self-regulatory organization.

(2) A Dealer Member must report to the Corporation any of the following matters, within the time period and using the method prescribed by the Corporation:
   (i) all client complaints, against the Dealer Member or any current or former Approved Person, except service complaints. For the purpose of clause 3703(2)(i), a service complaint by a client is one that is related to service issues and is not the subject of any domestic or foreign securities laws,
   (ii) whenever an internal investigation is commenced by the Dealer Member in accordance with section 3706,
   (iii) the results of the internal investigation under clause 3703(2)(ii),
   (iv) any time the Dealer Member, or a current or former Approved Person is subject to one of the following in any jurisdiction inside or outside of Canada, while in the employ of the Dealer Member or concerning matters that occurred while in the employ of the Dealer Member:
      (a) charged with, convicted of, plead guilty or no contest to, any criminal offence,
      (b) named as a defendant or respondent in, or is the subject of, any proceeding or disciplinary action alleging contravention of any securities laws,
      (c) named as a defendant or respondent in, or is the subject of any proceeding or disciplinary action alleging contravention of the requirements or policies of any regulatory or self-regulatory organization, professional licensing or registration body,
      (d) denial of registration or license by any regulatory or self-regulatory organization, professional licensing or registration body, or
      (e) subject to a civil claim or arbitration notice involving any of the following:
         (I) any matters related to securities,
         (II) any matter related to handling of client accounts or dealings with clients, or
         (III) any matter that is the subject of any legislation, rules, regulations, or policies concerning securities, exchange contracts or financial services of any securities or financial services regulatory or self-regulatory organization in any jurisdiction,
      (v) the resolution of any matters set out in clause 3703(2)(iv),
(vi) any internal disciplinary action that is taken by a Dealer Member against an Approved Person as a result of:
   (a) a client complaint within the meaning of clause 3703(2)(i),
   (b) a securities related civil claim or arbitration notice,
   (c) an internal investigation,
   (d) a Dealer Member initiated disciplinary action imposing suspension, termination, demotion, or trading restrictions on the Approved Person, or
   (e) a Dealer Member initiated disciplinary action not involving any of the matters listed in sub-clauses 3703(1)(vi)(a) through 3703(1)(vi)(c), which results in a monetary penalty:
      (I) over $5,000 for a single occurrence,
      (II) over $15,000 in total in a calendar year, or
      (III) imposed three times or more in a calendar year, and

(vii) any cybersecurity incident, in writing,
   (a) within three calendar days from discovering a cybersecurity incident, and must include the following information:
      (I) a description of the cybersecurity incident,
      (II) the date on which or time period during which the cybersecurity incident occurred and the date it was discovered by the Dealer Member,
      (III) a preliminary assessment of the cybersecurity incident, including the risk of harm to any person and/or impact on the operations of the Dealer Member,
      (IV) a description of immediate incident response steps the Dealer Member has taken to mitigate the risk of harm to persons and impact on its operations, and
      (V) the name of and contact information for an individual who can answer, on behalf of the Dealer Member, any of the Corporation’s follow-up questions about the cybersecurity incident,
   (b) within 30 calendar days, unless otherwise agreed by the Corporation, from discovering a cybersecurity incident, and must include the following information:
      (I) a description of the cause of the cybersecurity incident,
      (II) an assessment of the scope of the cybersecurity incident, including the number of persons harmed and the impact on the operations of the Dealer Member,
      (III) details of the steps the Dealer Member took to mitigate the risk of harm to persons and impact on its operations,
      (IV) details of the steps the Dealer Member took to remediate any harm to any persons, and
      (V) actions the Dealer Member has or will take to improve its cybersecurity incident preparedness.

3704. Failure to report

   (1) Failure to report, as required by sections 3702 and 3703, may result in the Corporation imposing an administrative fee, or other penalties that are permitted under Corporation requirements, against the Dealer Member or Approved Person.
3705.  Reserved.

PART B – INTERNAL INVESTIGATIONS AND INTERNAL DISCIPLINE

3706.  Requirement to commence an internal investigation

(1)  A Dealer Member must conduct an internal investigation if it appears that the Dealer Member or a current or former Approved Person while employed by the Dealer Member engaged in any of the following types of activities in any jurisdiction inside or outside of Canada:

(i)  theft,
(ii)  fraud,
(iii) misappropriation of funds or securities,
(iv)  forgery,
(v)   money laundering,
(vi)  market manipulation,
(vii) insider trading,
(viii) misrepresentation, or
(ix)   unauthorized trading.

(2)  For the purpose of clause 3706(1)(viii), a misrepresentation means:

(i)  an untrue statement of facts, or
(ii)  an omission to state a fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

3707.  Records of an internal investigation

(1)  The Dealer Member must maintain records showing the:

(i)  cause of,
(ii)  steps taken, and
(iii) results,

of each internal investigation in accordance with section 3803.

3708.  Internal discipline

(1)  A Dealer Member’s policies and procedures must establish procedures for any breach of Corporation requirements or any securities laws to be subject to appropriate disciplinary measures.

3709.  Reserved.

PART C – SETTLEMENT AGREEMENTS

3710.  Entering into settlement agreements

(1)  An Approved Person must obtain the Dealer Member’s written consent before entering into any settlement agreement with a client, regardless of the form of the settlement and regardless of whether the settlement is the result of a client complaint or a finding by the Approved Person or the Dealer Member.
(2) A Dealer Member must keep a record of the prior written consent in accordance with section 3803.

(3) Subsection 3710(1) does not apply to settlement agreements entered into by an employee or Approved Person who is authorized by the Dealer Member to negotiate or enter into settlement agreements in the normal course of his/her duties and does not arise out of the activities involving the Approved Person.

3711. Release

(1) A release entered into between a Dealer Member and a client may not impose confidentiality or similar restrictions aimed at preventing a client from initiating a complaint to the securities regulatory authorities, SROs or other enforcement authorities, or continuing with any pending complaint in progress, or participating in any further proceedings by such authorities.

3712. – 3714. Reserved.

PART D – CLIENT COMPLAINTS – INSTITUTIONAL CLIENTS

3715. Policies and procedures

(1) The Dealer Member’s policies and procedures must specifically address dealing effectively with institutional client complaints received.

(2) The Dealer Member’s policies and procedures must specifically address the following:

(i) the Dealer Member must acknowledge all written and verbal institutional client complaints, if any, of a complaint to the institutional client in due course,

(ii) the Dealer Member must convey the results of its investigation, if any, of a complaint to the institutional client in due course,

(iii) the Dealer Member must ensure that the Approved Person and their Supervisor is aware of all institutional client complaints filed against the Approved Person,

(iv) the Dealer Member must ensure that all allegations of serious misconduct are reported to an appropriate Executive, and

(v) complaints are to be handled by a Supervisor and a copy must be filed with the compliance department/function (or the equivalent) of the Dealer Member.

(3) If the Dealer Member determines that the number or severity of complaints is significant, or when a Dealer Member detects frequent and repetitive complaints made with respect to the same or similar matters which may on a cumulative basis indicate a serious problem, then the Dealer Member must:

(i) review its internal policies and procedures, and

(ii) ensure recommendations to remedy the problem are submitted to the appropriate management level.

3716. – 3719. Reserved.

PART E – CLIENT COMPLAINTS – RETAIL CLIENTS

3720. Retail client complaints

(1) A Dealer Member must establish and maintain policies to deal effectively with both:
(i) retail client complaints alleging misconduct, and
(ii) retail client complaints that do not allege misconduct.

(2) A Dealer Member must provide a written response to any retail client complaint that is submitted in the form specified in section 3721.

3721. Application

(1) Part E of Rule 3700 applies to complaints submitted by a retail client or a person authorized to act on behalf of a retail client in the following form:
(i) a recorded expression of dissatisfaction with a Dealer Member or employee or agent alleging misconduct, or
(ii) a verbal expression of dissatisfaction with the Dealer Member or employee or agent alleging misconduct where a preliminary investigation indicates that the allegation may have merit.

(2) For the purpose of subsections 3720(1) and 3721(1), alleged misconduct includes, but is not limited to:
(i) allegations of breach of confidentiality, theft, fraud, misappropriation or misuse of funds or securities, forgery, unsuitable investments, misrepresentation, or unauthorized trading relating to the client’s account,
(ii) other inappropriate financial dealings with clients, or
(iii) engaging in Dealer Member related activities outside of the Dealer Member.

(3) Any matter which is the subject of a civil action or arbitration is not considered to be a complaint for the purpose of section 3721.

3722. Handling client complaints

(1) Complaints must be handled by supervisory or compliance staff and a copy of the complaint must be filed with the compliance department or function (or the equivalent) of the Dealer Member.

(2) The Dealer Member must appoint an individual to act as the designated complaints officer. The individual must have the requisite experience and authority to oversee the complaint handling process and to act as a liaison with the Corporation.

3723. Complaint policies and procedures

(1) A Dealer Member’s policies and procedures must specifically address dealing effectively, fairly and expeditiously with complaints.

(2) A Dealer Member’s policies and procedures must specifically address:
(i) procedures for a fair and thorough investigation of complaints,
(ii) a process for assessing the merits of complaints,
(iii) the process to be followed in determining what offer should be made to the client, where the complaint is assessed to have merit,
(iv) a description of remedial actions which may be appropriate to be taken within the firm,
(v) a procedure that will ensure that complaints are not dismissed without proper consideration of the facts of each case,
(vi) a balanced approach to dealing with complaints that objectively considers the interests of
the complainant, the Dealer Member, including the employees, Approved Persons or other
relevant parties,
(vii) a process that ensures that the relevant employees, Approved Persons and their Supervisors
are made aware of all complaints filed by their clients,
(viii) procedures to inform an appropriate Executive of any serious misconduct, and
(ix) procedures to monitor the general nature of the complaints.

(3) If a Dealer Member determines that the number or severity of complaints is significant, or when a
Dealer Member detects frequent and repetitive complaints made with respect to the same or
similar matters which may on a cumulative basis indicate a serious problem, the Dealer Member
must:
(i) review its internal procedures and practices, and
(ii) ensure recommendations to remedy the problem are submitted to the appropriate
management level.

3724. Client access

(1) At the time of account opening, a Dealer Member must provide each new client with:
(i) a written summary of the Dealer Member’s complaint handling procedures, which is clear
and can be easily understood by the client, and
(ii) a copy of the complaint handling process brochure, approved by the Corporation.

(2) A Dealer Member must make available to its clients, on an ongoing basis, a written summary of
the Dealer Member’s complaint handling procedures which may be made available either on the
Dealer Member’s website or by other means.

3725. Complaint acknowledgement letter

(1) The Dealer Member must send an acknowledgement letter to the complainant within five business
days of receipt of a complaint.

(2) The acknowledgement letter in subsection 3725(1) must include the following:
(i) the name, job title and full contact information of the individual at the Dealer Member
handling the complaint,
(ii) a statement indicating that the client should contact the individual at the Dealer Member
handling the complaint if he/she would like to inquire about the status of the complaint or
provide the Dealer Member with any additional information,
(iii) an explanation of the Dealer Member’s internal complaint handling process, including but
not limited to the role of the designated complaints officer,
(iv) a reference to an attached copy of the Corporation approved complaint handling process
brochure and a reference to the statutes of limitations contained in the document,
(v) the 90 days time line to provide a substantive response to complainants, and
(vi) a statement informing the client that the Dealer Member may request additional
information, from time to time, to investigate the complaint.
3726. Response to client complaints

(1) The Dealer Member must send a substantive response letter to each complainant.

(2) The substantive response letter must be accompanied by a copy of the complaint handling process brochure approved by the Corporation.

(3) The substantive response letter must be presented in a manner that is fair, clear and not misleading to the client, and must include the following information:
   (i) a summary of the complaint,
   (ii) the result of the Dealer Member’s investigation,
   (iii) the Dealer Member’s final decision on the complaint, including an explanation, and
   (iv) a statement describing to the client the options available if the client is not satisfied with the Dealer Member’s response, including the availability of:
      (a) arbitration,
      (b) litigation/civil action,
      (c) submitting a complaint to the Corporation,,
      (d) the ombudsman service, if a request is made within the period required by the ombudsman,
      (e) an internal ombudsman service offered by an affiliate of the Dealer Member, if any, with an explanation that:
         (I) the use of the internal ombudsman process is voluntary, and
         (II) the estimated length of time the process is expected to take based on historical data, and
      (f) any other applicable options.

(4) A Dealer Member must respond to each client complaint as soon as possible and not later than 90 days from the date of receipt of the complaint subject to the following:
   (i) the 90 days time line must include all internal processes of the Dealer Member that are made available to the client, other than the internal ombudsman process offered by an affiliate of the Dealer Member,
   (ii) the Dealer Member must inform the client if the Dealer Member is unable to provide the client with a final response within the 90 days time line and must include the reasons for the delay and the new estimated time of completion, and
   (iii) the Dealer Member must inform the Corporation if the Dealer Member is unable to meet the 90 days time line and must provide reasons for the delay.

3727. Duty to assist in client complaint resolution

(1) If an Approved Person moves to a different Dealer Member after a complaint has been made against the Approved Person, the Approved Person must continue to co-operate with the Dealer Member where they were employed or acted as an agent until the complaint has been resolved.

(2) Dealer Members must co-operate with each other if events relating to a complaint took place at more than one Dealer Member or if the Approved Person is an employee or agent of another Dealer Member that is not involved in the events relating to the complaint.
3728. **Client complaint file**

1. A Dealer Member must retain the following information in accordance with section 3786 for each client complaint:
   - the complainant’s name,
   - the date of the complaint,
   - the nature of the complaint,
   - the name of the individual who is subject of the complaint,
   - the securities or services which are the subject of the complaint,
   - the materials reviewed in the investigation,
   - the name, title and date individuals were interviewed for the investigation, and
   - the date and conclusion of the decision rendered in connection with the complaint.

3729. – 3779. **Reserved.**

**PART F – LEGAL ACTIONS**

3780. **Reporting legal actions**

1. All legal actions against the Dealer Member must be reported to an appropriate Executive of the Dealer Member.

3781. – 3784. **Reserved.**

**PART G – RECORD RETENTION REQUIREMENTS**

3785. **Matters reported to the Corporation**

1. A Dealer Member must maintain, and make available to the Corporation upon request, copies of all documents associated with matters reported to the Corporation under section 3703 for a minimum of seven years from the date of resolution of the matter.

3786. **Client complaints**

1. A Dealer Member must keep an up-to-date record of all client complaints and associated documentation relating to the conduct, business and affairs of the Dealer Member, or an employee or agent of the Dealer Member, in a central and readily accessible place for a period of two years from the date of receipt of a client complaint.

2. For each client complaint file, a Dealer Member must maintain a copy for seven years in a location that is retrievable within a reasonable period of time.

3787. – 3799. **Reserved.**
RULE 3800 | DEALER MEMBER RECORDS AND CLIENT COMMUNICATIONS

3801. Introduction

(1) Maintaining complete and accurate records is a fundamental responsibility of a Dealer Member. A Dealer Member's records provide an audit trail to support the Dealer Member’s supervision of its business and are necessary to prepare regulatory financial reports and to report accurately to clients.

3802. Definitions

(1) The following terms have the meaning set out below when used in Rule 3800:

<table>
<thead>
<tr>
<th>“book cost”</th>
<th>In the case of:</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) a long security position, the total amount paid for the security, including any transaction charges related to the purchase, adjusted for reinvested distributions, returns of capital and corporate actions, or</td>
<td></td>
</tr>
<tr>
<td>(ii) a short security position, the total amount received for the security, net of any transaction charges related to the sale, adjusted for any distributions (other than dividends), returns of capital and corporate actions.</td>
<td></td>
</tr>
</tbody>
</table>

| “connected issuer” | The same meaning as ascribed to it in securities laws |

<table>
<thead>
<tr>
<th>“cost”</th>
<th>For each security position in the account and each security position subject to the additional reporting obligation under section 3809:</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) on or after December 31, 2015:</td>
<td></td>
</tr>
<tr>
<td>(a) either book cost or original cost, determined as at the end of the applicable period, provided that only one cost calculation methodology, either book cost or original cost, is used for all positions, or</td>
<td></td>
</tr>
<tr>
<td>(b) in the case of security positions that are transferred in, either:</td>
<td></td>
</tr>
<tr>
<td>(I) the amount determined in sub-clause (i)(a) of this definition, or</td>
<td></td>
</tr>
<tr>
<td>(II) the market value of the security position as at the date of transfer, provided that the following notification or a notification that is substantially similar identifies each security position where</td>
<td></td>
</tr>
</tbody>
</table>
| “market value” | For securities, precious metals bullion and *futures contracts*:  
|               | (i) that are quoted on an active market, the published price quotation using:  
|               | (a) for listed securities, the last bid price of a long security and, correspondingly, the last ask price of a short security, as shown on a consolidated pricing list or exchange quotation sheet as of the close of |

*market value* has been used is included in the statement or report:

“Market value information has been used to estimate part or all of the [book cost/original cost] of this security position.”

(ii) before December 31, 2015:

(a) either *book cost* or *original cost*, determined as at the end of the applicable period, provided that only one cost calculation methodology, either *book cost* or *original cost*, is used for all positions, or

(b) the *market value* of the security position as at December 31, 2015 or an earlier date, provided that the following notification or a notification that is substantially similar identifies each security position where *market value* has been used is included in the statement or report:

“Market value information as at [December 31, 2015 or earlier date] has been used to estimate part or all of the [book cost/original cost] of this security position.”

(iii) where the *Dealer Member* reasonably believes it cannot determine the *cost* in accordance with clause (i) and sub-clause (ii)(b) of this definition, the *Dealer* must include the following notification or a notification that is substantially similar: “The [book cost/original cost] of this security position cannot be determined.”
business on the relevant date or last trading date prior to the relevant date, as the case may be,
(b) for unlisted investment funds, the net asset value provided by the manager of the fund on the relevant date,
(c) for all other unlisted securities (including unlisted debt securities) and precious metals bullion, a value determined as reasonable from published market reports or inter-dealer quotation sheets on the relevant date or last trading day prior to the relevant date, or, in the case of debt securities, based on a reasonable yield rate,
(d) for futures contracts, the settlement price on the relevant date or last trading day prior to the relevant date,
(e) for money market fixed date repurchases (no borrower call feature), the price determined by applying the current yield for the security to the term of maturity from the repurchase date. This will permit calculation of any profit or loss based on the market conditions at the reporting date,
(f) for money market open repurchases (no borrower call feature), the price determined as of the reporting date or the date the commitment first becomes open, whichever is the later. The value is to be determined as in sub-clause (i)(e) of this definition and the commitment price is to be determined in the same manner using the yield stated in the repurchase commitment, and
(g) for money market repurchases with borrower call features, the borrower call price,
and after making any adjustments considered by the Dealer Member to be necessary to accurately reflect the market value,
(ii) where a reliable price cannot be determined:
(a) the value determined by using a valuation technique that includes inputs other than published price quotations that are observable for the security, either directly or indirectly, or

(b) where no observable market data-related inputs are available, the value determined by using unobservable inputs and assumptions, or

(c) where insufficient recent information is available or there is a wide range of possible values and cost represents the best value estimate within that range, cost and the Dealer Member must include the following notification or a notification that is substantially similar:

   “There is no active market for this security so we have estimated its market value.”

(iii) where a value cannot be reliably determined under clauses (i) and (ii) of this definition, no value shall be reported and the Dealer Member must include the following notification or a notification that is substantially similar:

   “Market value not determinable.”

<table>
<thead>
<tr>
<th>“operating charge”</th>
<th>Any amount charged to a client by a Dealer Member in respect of the operation, transfer or termination of a client’s account and includes any taxes paid on that amount.</th>
</tr>
</thead>
<tbody>
<tr>
<td>“original cost”</td>
<td>In the case of:</td>
</tr>
<tr>
<td></td>
<td>(i) a long security position, the total amount paid for the security, including any transaction charges related to the purchase, or</td>
</tr>
<tr>
<td></td>
<td>(ii) a short security position, the total amount received for the security, net of any transaction charges related to the sale.</td>
</tr>
<tr>
<td>“outside holdings”</td>
<td>The client positions for which the Dealer Member is the ‘dealer of record’ that are neither held at or under the control of the Dealer Member.</td>
</tr>
</tbody>
</table>
“related issuer” | The same meaning as ascribed to it in securities laws.
--- | ---
“total percentage return” | The cumulative realized and unrealized capital gains and losses of an investment, plus income from the investment, over a specified period of time, expressed as a percentage.
“trailing commission” | Any payment related to a client’s ownership of a security that is part of a continuing series of payments to a Dealer Member by any party.
“transaction charge” | Any amount charged to a client by a Dealer Member in respect of a purchase or sale of a security and includes any taxes paid on that amount.

### 3803. General requirements for record retention periods

(1) A Dealer Member must retain copies of all records in a safe location required under Corporation requirements, in durable and accessible form, for a minimum of seven years from the date the record is created unless Corporation requirements or securities laws relating to the specific type of record require a different retention period.

### 3804. General requirements to maintain records

(1) A Dealer Member must maintain current records that:
   (i) properly record its business activities, financial position, financial operating results and client transactions, and
   (ii) demonstrate the Dealer Member’s compliance with securities laws and Corporation requirements.

(2) The records required under subsection 3804(1) include, but are not limited to, records that do the following:
   (i) permit timely creation and audit of financial statements and other financial information required to be filed or delivered to the Corporation or the applicable securities regulatory authority,
   (ii) permit determination of the Dealer Member’s capital position,
   (iii) demonstrate compliance with the Dealer Member’s capital and insurance requirements,
   (iv) demonstrate compliance with internal control procedures,
   (v) demonstrate compliance with the Dealer Member’s policies and procedures,
   (vi) permit the identification and segregation of client cash, securities, and other property,
   (vii) identify all transactions conducted on behalf of the Dealer Member and each of its clients, including the parties to the transaction and the terms of the purchase or sale,
   (viii) provide an audit trail for:
      (a) client instructions and orders, and
      (b) each trade transmitted or executed for a client or by the Dealer Member on its own behalf,
(ix) permit the generation of account activity reports for clients,
(x) provide securities pricing as may be required by securities laws,
(xi) document the opening of client accounts, including any agreements with clients and evidence that account related documents required by Corporation requirements have been provided to clients,
(xii) demonstrate compliance with know-your-client, account appropriateness, product due diligence, know-your-product and suitability determination requirements,
(xiii) demonstrate compliance with complaint handling requirements,
(xiv) document correspondence with clients,
(xv) document compliance, training, and supervision actions taken by the Dealer Member,
(xvi) demonstrate compliance with conflicts of interest requirements,
(xvii) document (a) the Dealer Member’s sales practices, compensation arrangements and incentive practices, and (b) other compensation arrangements and incentive practices from which the Dealer Member or its Approved Persons, or any affiliate or associate of that Dealer Member, benefit, and
(xviii) demonstrate compliance with misleading communications requirements, and
(xix) demonstrate compliance with the conditions for temporary holds.

(3) A Dealer Member must maintain appropriate internal controls to provide reasonable assurance that its records:
   (i) are correct,
   (ii) provide clear and accurate information, and
   (iii) remain current.

(4) A Dealer Member must make its records available to the Corporation on request, in the manner requested by the Corporation.

(5) A Dealer Member must provide the Corporation with statistical or other information with respect to the Dealer Member’s business that the Corporation may request from time to time, acting reasonably. Such information must be provided as soon as practicable following the Corporation’s request.

3805. Trade blotters (records of original entry)

(1) A Dealer Member must maintain blotters or other records of original entry by itemizing daily, the following:
   (i) all purchases and sales of securities,
   (ii) all receipts and deliveries of securities (including certificate numbers),
   (iii) all trades in futures contracts and futures contract options,
   (iv) all receipts and disbursements of cash, and
   (v) all other debits and credits.

(2) The blotters or records of original entry must contain, at a minimum, the following:
(i) in the case of trades in securities:
   (a) the name, class and designation of securities,
   (b) the number, value or amount of securities and the unit and aggregate purchase or sale price (if any),
   (c) the name or other designation of the person from whom the securities were purchased or received or to whom they were sold or delivered,
   (d) the trade dates, and
   (e) the applicable account in which each transaction was effected,

(ii) in the case of trades in futures contracts:
   (a) the commodity and quantity bought or sold,
   (b) the delivery month and year,
   (c) the price at which the contract was entered into,
   (d) the futures exchange,
   (e) the name of the dealer if any, used by the Dealer Member as its agent to effect the trade,
   (f) the trade dates,
   (g) the applicable account in which each transaction was effected, and
   (h) whether the transactions are opening or closing transactions (where required by the marketplace), and

(iii) in the case of trades in futures contract options:
   (a) the type and number,
   (b) the premium,
   (c) the futures contract that is the subject of the futures contract option,
   (d) the delivery month and year of the futures contract that is the subject of the futures contract option,
   (e) the declaration date,
   (f) the striking price,
   (g) the futures exchange,
   (h) the name of the dealer, if any, used by the Dealer Member as its agent to effect the trade,
   (i) the trade dates,
   (j) the applicable account in which each transaction was effected, and
   (k) whether the transactions are opening or closing transactions (where required by the marketplace).

3806. General ledger of accounts

(1) A Dealer Member must maintain a general ledger (or other records) with an itemized account detail of all assets, liabilities, income, expense and capital accounts.
3807. Itemized client ledger accounts

(1) A Dealer Member must maintain ledger accounts (or other records) itemizing separately as to each cash and margin account of every client, all purchases, sales, receipts, deliveries and other trades of securities, futures contracts and futures contract options for such account and all other debits and credits to such account.

(2) When a Dealer Member receives securities and property to margin, guarantee, or secure the trades or contracts of a client’s account, the ledger must contain, at a minimum, the following:
   (i) a description of the securities or property received,
   (ii) the date when received,
   (iii) the identity of any deposit institution where such securities or property are segregated,
   (iv) the dates of deposit and withdrawal from such institutions, and
   (v) the date of return of such securities or property to the client or other disposition thereof, together with the facts and circumstances of such other disposition.

(3) When a Dealer Member invests the money, proceeds or funds segregated for the benefit of its clients, the ledger must contain, at a minimum, the following:
   (i) the date of the transaction,
   (ii) the identity of the person or company through or from whom such securities were purchased,
   (iii) the amount invested,
   (iv) a description of the securities invested in,
   (v) the identity of the deposit institution, other dealer or dealer registered under any securities laws where such securities are deposited,
   (vi) the date of liquidation or other disposition and the money received on such disposition, and
   (vii) the identity of the person or company to or through whom such securities were disposed.

3808. Client account statements

(1) A Dealer Member must send a monthly statement to each client who:
   (i) requests to receive a client account statement on a monthly basis, or
   (ii) at the end of the month has:
      (a) had a transaction during the month,
      (b) has experienced a cash or security modification, other than dividend or interest payments,
      (c) an unexpired and unexercised futures contract option position, or
      (d) an open futures contract, or exchange contract position, in their account.

(2) A Dealer Member must send a quarterly statement to each client who, at the end of the quarter has:
   (i) a debit or credit balance, or
   (ii) one or more security positions (including securities held in safekeeping or in segregation),
in their account.

(3) The statement must include all of the following information about the client’s account at the end of the period for which the statement is made:

(i) the opening cash balance in the account,
(ii) all deposits, credits, withdrawals and debits made to the account,
(iii) the closing cash balance in the account,
(iv) the name and quantity of each security position in the account,
(v) for each security position in the account:
   (a) where the market value is determinable:
      (I) the market value,
      (II) the total market value, and
      (III) if applicable, the notification required pursuant to clause (ii) of the definition of market value in subsection 3802(1)
   (b) where the market value is not determinable, the notification required pursuant to clause (iii) of the definition of market value in subsection 3802(1),
(vi) where the client is a retail client and the statement is a quarterly statement, the statement must also include:
   (a) for each security position in the account:
      (I) where the cost is determinable, either the cost or the total cost, and
      (II) where the cost is not determinable, the notification required pursuant to clause (iii) of the definition of cost in subsection 3802(1),
   and
   (b) a notation setting out the definitions of the calculation methodologies used to calculate the individual position cost information included in the statement, provided that where the individual position cost information included in the statement is calculated using:
      (I) the book cost calculation methodology, the language set out in the definition of book cost in subsection 3802(1) or language that is substantially similar must be used as the notation, and
      (II) the original cost calculation methodology, the language set out in the definition of original cost in subsection 3802(1) or language that is substantially similar must be used as the notation,
(vii) the total market value of all cash and security positions in the account, and
(viii) where the client is a retail client and the statement is a quarterly statement, the total cost of all cash and security positions in the account.

(4) In the case of clients with any security positions which might be subject to a deferred sales charge if they are sold, a notation identifying each security position that might be subject to a deferred sales charge.
(5) In the case of clients with any unexpired and unexercised futures contract options, open futures contracts, or exchange contracts, the monthly statement must contain, at a minimum, the following:
   (i) each unexpired and unexercised futures contract option,
   (ii) the striking price of each unexpired and unexercised futures contract option,
   (iii) each open futures contract, and
   (iv) the price at which each open futures contract was entered into.

(6) In the case where a Dealer Member has acted as an agent in connection with a liquidating trade in a futures contract, the monthly statement must contain, at a minimum, the following:
   (i) the dates of the initial transaction and liquidating trade,
   (ii) the commodity and quantity bought and sold,
   (iii) the futures exchange upon which the contract was traded,
   (iv) the delivery month and year,
   (v) the prices on the initial transaction and on the liquidating trade,
   (vi) the gross profit or loss on the transactions,
   (vii) the commission, and
   (viii) the net profit or loss on the transactions.

(7) In the case of transactions involving securities of the Dealer Member or a related issuer of the Dealer Member, or in the course of a distribution to the public, securities of a connected issuer of the Dealer Member, the monthly statement must state that the securities are securities of the Dealer Member, a related issuer of the Dealer Member or a connected issuer of the Dealer Member, as the case may be.

(8) If a Dealer Member does not deposit clients' free credit balances in a trust bank account, the client statement must include the following notation:
   "Any free credit balances (except for RRSP funds held in trust) represent funds payable on demand which, although properly recorded in our books, are not segregated and may be used in the conduct of our business."

3809. Report on client positions held outside of the Dealer Member

(1) A Dealer Member must send a quarterly report on outside holdings (report to be called “Report on client positions held outside of the Dealer Member”) to each retail client who, at the end of the quarter holds outside of the Dealer Member’s control, either in book-based client name or physical client name, one or more positions:
   (i) in securities issued by a scholarship plan, a mutual fund or an investment fund that is a labour sponsored investment fund corporation, or labour sponsored venture capital corporation, under applicable laws and the Dealer Member is the dealer of record for the client on the records of the issuer of the security or the records of the issuer’s investment fund manager, and
   (ii) in any other security on which the Dealer Member receives continuing compensation payments related to the client’s ownership of the security from the issuer of the security, the investment fund manager of the issuer or any other party.
(2) The report must include all of the following information about the client’s outside holdings at the end of the period for which the report is made:

(i) the name and quantity of each security position,

(ii) for each security position:

(a) where the market value is determinable:

(I) the market value,

(II) the total market value, and

(III) if applicable, the notification required pursuant to clause (ii) of the definition of market value in subsection 3802(1), and

(b) where the market value is not determinable, the notification required pursuant to clause (iii) of the definition of market value in subsection 3802(1),

(iii) for each security position:

(a) where the cost is determinable, either the cost or the total cost, and

(b) where the cost is not determinable, the notification required pursuant to clause (iii) of the definition of cost in subsection 3802(1),

(iv) a notation setting out the definitions of the calculation methodologies used to calculate the individual position cost information included in the statement, provided that where the individual position cost information included in the statement is calculated using:

(a) the book cost calculation methodology, the language set out in the definition of book cost in subsection 3802(1) or language that is substantially similar must be used as the notation, and

(b) the original cost calculation methodology, the language set out in the definition of original cost in subsection 3802(1) or language that is substantially similar must be used as the notation,

(v) the total market value of all security positions,

(vi) the total cost of all security positions, and

(vii) the name of the party that holds or controls each security position and a description of the way it is held.

(3) In the case of clients with any outside holdings which might be subject to a deferred sales charge if they are sold, the report must include a notation identifying each security position that might be subject to a deferred sales charge.

(4) The report must indicate:

(i) that the client’s outside holdings are not covered by the Canadian Investor Protection Fund, and

(ii) whether the securities are covered under any other investor protection fund approved or recognized by a Canadian securities regulatory authority and, if they are, the name of the fund.

3810. Performance report

(1) A Dealer Member must send an annual performance report to each retail client who, at the end of the 12-month period covered by the report has:
(i) an account with:
   (a) a debit or credit balance, or
   (b) one or more security positions (including securities held in safekeeping or in segregation), or

(ii) holds one or more outside holdings for which quarterly reporting pursuant to section 3809 is required,

and

(iii) there is at least one security in the account or at least one outside holding for which quarterly reporting pursuant to section 3809 is required, for which a market value can be determined pursuant to either clause (i) or clause (ii) of the definition of market value in subsection 3802(1),

and

(iv) the client’s account was opened at least 12 months ago.

(2) The annual performance report must include all of the following combined information about the client’s account and outside holdings at the end of the period for which the report is made:

(i) the total combined market value of all cash and security positions:
   (a) as at July 15, 2015 or, where the account was opened prior to July 15, 2015 and the information is available, as at the account opening date,
   (b) as at the beginning date of the 12-month period covered by the report, and
   (c) as at the end date of the report,

(ii) the total combined market value of all deposits and transfers in of cash and security positions:
   (a) in the period from July 15, 2015 or, where the account was opened prior to July 15, 2015 and the information is available, the period from the account opening date, to the end date of the report, and
   (b) in the 12-month period covered by the report,

(iii) the total combined market value of all withdrawals and transfers out of cash and security positions:
   (a) In the period from July 15, 2015 or, where the account was opened prior to July 15, 2015 and the information is available, the period from the account opening date to the end date of the report, and
   (b) In the 12-month period covered by the report,

(iv) the total combined change in market value of all cash and security positions:
   (a) for the period from July 15, 2015 or, where the account was opened prior to July 15, 2015 and the information is available, the period from the account opening date to the end date of the report, determined using the following formula:

   \[
   \text{Total market value change from account opening} = \text{Closing market value} - \text{Account opening market value}
   \]

   [Sub-clause 3810(2)(i)(c)]
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[Sub-clause 3810(2)(i)(a)]
- Deposits and transfers in
  [Sub-clause 3810(2)(ii)(a)]
  + Withdrawals and transfers out
  [Sub-clause 3810(2)(iii)(a)], and

(b) for the 12-month period covered by the report, determined using the following formula:

Total 12-month market value change

= Closing market value

[Sub-clause 3810(2)(i)(c)]
- Account opening market value
  [Sub-clause 3810(2)(i)(b)]
- Deposits and transfers in
  [Sub-clause 3810(2)(ii)(b)]
  + Withdrawals and transfers out
  [Sub-clause 3810(2)(iii)(b)],

(v) the amount of the annualized total percentage return calculated net of charges using a money weighted rate of return calculation methodology generally accepted in the securities industry for the following periods:

(a) the 12-month period covered by the report,

(b) the three-year period preceding the end date of the report,

(c) the five year period preceding the end date of the report,

(d) the 10 year period preceding the end date of the report, and

(e) the period from July 15, 2015 or, where the account was opened prior to July 15, 2015 and the information is available, the period from the account opening date to the end date of the report,

provided that if any portion of a period referred to in sub-clauses 3810(2)(v)(b), 3810(2)(v)(c) and 3810(2)(v)(d) is before July 15, 2015, the Dealer Member is not required to report the annualized total percentage return for that period, and

(vi) the definition of total percentage return as set out in subsection 3802(1) and a notification indicating the following:

(a) the total percentage return presented in the performance report was calculated net of fees / charges,

(b) the calculation method used, and

(c) a general explanation in plain language of what the calculation method takes into account.

(3) The combined information required to be provided under subsection 3810(2) must be presented using text, tables and charts, and must be accompanied by notes in the performance report explaining:
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(i) the content of the report and how a client can use the information to assess the performance of the client’s investments, and

(ii) the changing value of the client’s investments as reflected in the information in the report.

(4) The Dealer Member must send a performance report containing the combined information required to be provided under subsection 3810(2) to a client every 12 months, except that:

(i) the first performance report sent after a Dealer Member opens an account for a client may be sent within 24 months, and

(ii) any performance report sent to a client that covers the 12-month period ending on December 31, 2016 is not required to include in the report the information set out in:

(a) sub-clauses 3810(2)(i)(a), 3810(2)(ii)(a), 3810(2)(iii)(a) and 3810(2)(iv)(a) [Prior period comparative account activity information], and

(b) sub-clauses 3810(2)(v)(b) through 3810(2)(v)(e) [Prior period comparative percentage return information], and

(iii) where a performance report that covers the 12-month period ending on December 31, 2016 is sent to the client pursuant to clause 3810(4)(ii), all subsequent performance reports for the 12-month periods ending on December 31, 2017 and each calendar year thereafter may include:

(a) the information required by sub-clauses 3810(2)(i)(a), 3810(2)(ii)(a), 3810(2)(iii)(a) and 3810(2)(iv)(a) [Prior period comparative account activity information] as at or for the period commencing January 1, 2016, as applicable, and

(b) the information required by sub-clauses 3810(2)(v)(b) through 3810(2)(v)(e) [Prior period comparative percentage return information] provided that if any portion of a period referred to in sub-clauses 3810(2)(v)(b), 3810(2)(v)(c), and 3810(2)(v)(d), is before January 1, 2016, the Dealer Member is not required to report the annualized total percentage return for that period.

(5) For the purposes of this section 3810, the information in respect of securities of a client required to be reported under section 3808 must be provided in a separate report for each of the client’s accounts.

(6) For the purposes of this section 3810, the information in respect of securities of a client required to be reported under section 3809 must be included in the report for each of the client’s accounts through which the securities were transacted.

(7) Subsections 3810(5) and 3810(6) do not apply if the Dealer Member sends a single report to the client that consolidates the required information for more than one of a client’s accounts and any securities of a client required to be reported under section 3809 provided:

(i) the client has consented in writing to receiving a consolidated report, and

(ii) the report that is sent specifies the accounts and securities for which the consolidated information is being provided.

(8) All annual performance reports that are sent to a client, whether prepared for an individual account or prepared on a consolidated account basis pursuant to subsection 3810(7), must:
(i) be prepared for the same 12-month period, and
(ii) include aggregated information for the same accounts and securities, as the annual fee/charge reports that are sent to the same client.

3811. Fee/charge report

(1) A Dealer Member must send a fee/charge report to each retail client who, at the end of the 12-month period covered by the report or a shorter period in the case of the first report delivered after a client has opened an account, has:
   (i) an account, or
   (ii) holds one or more outside holdings for which quarterly reporting pursuant to section 3809 is required,
   and
   (iii) paid a fee, charge or other payment, including payments referred to in clauses 3811(2)(viii) and 3811(2)(ix), either directly or indirectly, to the Dealer Member or any of its registered individuals during the period covered by the report.

(2) The annual fee/charge report must include all of the following combined information about the client’s account and outside holdings at the end of the period for which the report is made:
   (i) a discussion of the operating charges which might be applicable to the client’s account,
   (ii) the total amount of each type of operating charge related to the client’s account paid by the client during the period covered by the report,
   (iii) the aggregate total amount of all operating charges related to the client’s account paid by the client during the period covered by the report,
   (iv) the total amount of each type of transaction charge related to the purchase or sale of securities paid by the client during the period covered by the report,
   (v) the aggregate total amount of all transaction charges related to the client’s account paid by the client during the period covered by the report,
   (vi) the aggregate total amount of all charges reported under clauses 3811(2)(iii) and 3811(2)(v),
   (vii) if the Dealer Member purchased or sold debt securities for the client during the period of the report, either of the following:
      (a) the total amount of any mark-ups, mark-downs, commissions or other fees or charges the Dealer Member applied on the purchases or sales of debt securities,
      (b) the total amount of any commissions charged to the client by the Dealer Member on the purchases or sales of debt securities and, if the Dealer Member applied mark-ups, mark-downs or other fees or charges other than commissions on the purchases or sales of debt securities, the following notification or a notification that is substantially similar:
         “For debt securities purchased or sold for you during the period covered by this report, dealer firm remuneration was added to the price you paid (in the case of a purchase) or deducted from the price your received (in
the case of a sale). This amount was in addition to any commissions you were charged.”.

(viii) the total amount of each type of payment, other than trailing commissions, that is made to the Dealer Member or any of its registered individuals by a securities issuer or another registrant in relation to registerable services provided to the client during the period covered by the report, accompanied by an explanation of each type of payment, and

(ix) if the Dealer Member received trailing commissions related to securities owned by the client during the period covered by the report, the following notification or a notification that is substantially similar:

“We received $[amount] in trailing commissions in respect of securities you owned during the period covered by this report.

Investment funds pay investment fund managers a fee for managing their funds. The managers pay us ongoing trailing commissions for the services and advice we provide you. The amount of the trailing commission depends on the sales charge option you chose when you purchased the fund. You are not directly charged the trailing commission or the management fee. But, these fees affect you because they reduce the amount of the fund’s return to you. Information about management fees and other charges to your investment funds is included in the prospectus or fund facts document for each fund.”

(3) For the purposes of this section 3811, the information in respect of securities of a client required to be reported under section 3808 must be provided in a separate report for each of the client’s accounts.

(4) For the purposes of this section 3811, the information in respect of outside holdings of a client required to be reported under section 3809 must be included in the report for each of the client’s accounts through which the securities were transacted.

(5) Subsections 3811(3) and 3811(4) do not apply if the Dealer Member sends a single report to the client that consolidates the required information for more than one of a client’s accounts and any outside holdings of a client required to be reported under section 3809 provided:

(i) the client has consented in writing to receiving a consolidated report, and

(ii) the report that is sent specifies the accounts and securities for which the consolidated information is being provided.

(6) All annual fee/charge reports that are sent to a client, whether prepared for an individual account or prepared on a consolidated account basis pursuant to subsection 3811(5), must:

(i) be prepared for the same 12-month period, and

(ii) include aggregated information for the same accounts and securities, as the annual performance reports that are sent to the same client.

3812. Secondary or subsidiary records

(1) A Dealer Member must maintain the following ledgers (or other records):

(i) securities in transfer,

(ii) dividends and interest received,
(iii) securities borrowed and securities loaned,
(iv) monies borrowed and monies loaned (together with a record of the collateral and any substitutions in such collateral),
(v) securities failed to receive and failed to deliver, and
(vi) money, securities and property received to margin, guarantee or secure the trades or contracts of clients, and all funds accruing to clients, which must be segregated for the benefit of clients under any applicable laws.

3813. Securities record

(1) A Dealer Member must maintain a securities record or a ledger, for each security as of the trade or settlement dates, of all long and short positions (including securities in safekeeping) carried for the Dealer Member’s account or for the account of clients.

(2) The securities record or ledger must contain the following:
   (i) the location of all securities long and the offsetting position to all securities short, and
   (ii) the name or designation of the account in which each position is carried.

3814. Commodity record

(1) A Dealer Member must maintain a commodity record or ledger, for each commodity as of the trade date, of all long positions or short positions in futures contracts carried for the Dealer Member’s account or for the account of clients.

(2) The commodity record or ledger must contain the name or designation of the account in which each position is carried.

(3) As part of the records required under subsection 3814(1), a Dealer Member must maintain a daily record that separately identifies the client positions and associated collateral for futures contracts and futures contract options that are subject to the domestic gross customer margin model.

(4) A Dealer Member must maintain a client identification record, for accounts subject to the domestic gross customer margin model, that includes the client identification information required by the clearing corporation for porting of client accounts.

3815. Memoranda of orders

(1) A Dealer Member must maintain an adequate record of each order or other instruction given or received for all purchases and sales of securities and trades in futures contract and futures contract options, whether executed or unexecuted, showing at a minimum the following:
   (i) the terms and conditions of the order or instruction and of any modification or cancellation thereof,
   (ii) the account to which the order or instruction relates,
   (iii) the time of entry of the order or instruction and, where the order is entered pursuant to the exercise of discretionary power of a Dealer Member, a statement to that effect,
   (iv) where the order relates to an omnibus account, the component accounts within the omnibus account on whose behalf the order is to be executed, and the allocation among the component accounts intended on execution,
   (v) to the extent feasible, the time of execution or cancellation,
(vi) the price at which the order or instruction was executed,
(vii) the time of report of execution, and
(viii) whether the transactions are opening or closing transactions (where required by the
marketplace).

(2) A Dealer Member must record the name, sales number, or designation of the person placing the
order or instruction, if the order or instruction is placed by an individual other than:

(i) the account holder, or
(ii) an individual authorized in writing to direct orders or instructions for the account.

3816. Trade confirmations

(1) A Dealer Member must promptly send the client a written confirmation of all purchases and sales
of securities and of all trades in futures contracts and futures contract options, and copies of
notices of all other debits and credits of money, securities, property, proceeds of loans and other
items for the client’s account.

(2) The written confirmation must contain, at a minimum, the day and the marketplace or
marketplaces where the trade took place, or marketplace disclosure language acceptable to the
Corporation; the fee or other charge, if any, levied by any securities regulatory authority in
connection with the trade; the name of the salesperson, if any, involved in the transaction; the
name of the dealer, if any, used by the Dealer Member as its agent to effect the trade, the
settlement date of the trade:

and

(i) in the case of trades in securities:
   (a) the quantity and description of the security,
   (b) the consideration,
   (c) whether or not the person or company that executed the trade acted as principal or
       agent, and
   (d) must maintain and make available to the client or the Corporation, upon request, the
       name of the person or company from or to or through whom the security was bought
       or sold, if acting as an agent in a trade upon an equity marketplace,

and

(ii) in the case of trades in futures contracts:
   (a) the commodity and quantity bought or sold,
   (b) the price at which the contract was entered into, and
   (c) the delivery month and year,

and

(iii) in the case of trades in futures contract options:
   (a) the type and number of futures contract options,
   (b) the premium,
   (c) the delivery month and year of the futures contract that is the subject of the futures
       contract option,
(d) the declaration date, and
(e) the striking price,
and
(iv) in the case of trades in mortgage-backed securities, and subject to the proviso below:
(a) the original principal amount of the trade,
(b) the description of the security (including interest rate and maturity date),
(c) the remaining principal amount (RPA) factor,
(d) the purchase/sale price per $100 of original principal amount,
(e) the accrued interest,
(f) the total settlement amount, and
(g) the settlement date,
provided that in the case of trades entered into from the second clearing day before month end to the fifth clearing day of the following month, inclusive, a preliminary confirmation shall be issued showing the trade date and the information in sub-clauses 3816(2)(iv)(a), 3816(2)(iv)(b), 3816(2)(iv)(d) and 3816(2)(iv)(g) and indicating that the information in sub-clauses 3816(2)(iv)(c), 3816(2)(iv)(e) and 3816(2)(iv)(f) cannot yet be determined and that a final confirmation will be issued as soon as such information is available. After the remaining principal amount factor for the security is available from the central payor and transfer agent, a final confirmation shall be issued including all of the information required in subsection 3816(2),
and
(v) in the case of confirmations other than confirmations relating to trades involving debt securities and other over-the-counter traded securities:
(a) where the confirmation is sent to a retail client:
   (I) the amount of each transaction charge, deferred sales charge or other charge in respect of the transaction, and
   (II) the total amount of all charges in respect of the transaction,
(b) where the confirmation is sent to an institutional client:
   (I) the commission, if any, charged in respect of the transaction,
and
(vi) in the case of debt securities:
(a) in the case of a purchase, where the debt security is a stripped coupon or a residual debt instrument:
   (I) the yield thereon calculated on a semi-annual basis in a manner consistent with the yield calculation for the debt instrument which has been stripped, and
   (II) the yield thereon calculated on an annual basis in a manner consistent with the yield calculation for other debt securities which are commonly regarded as being competitive in the market with such coupons or residuals such as guaranteed investment certificates, bank deposit receipts and other indebtedness for which the term and interest rate is fixed,
(b) in the case of a purchase, where the debt security is neither a stripped coupon nor a residual debt instrument:
   (I) the yield to maturity calculated in a manner consistent with market conventions for the security traded,
   (II) where the debt security is subject to call prior to maturity through any means, the notation of “callable” must be included, and
   (III) where the debt security has a variable coupon rate, the notation “The coupon rate may vary.” must be included,
(c) where the debt security trade is not a primary market transaction and the trade confirmation is being sent to a retail client, either of the following:
   (I) the total amount of any mark-up or mark-down, commission or other service charges the Dealer Member applied to the transaction, or
   (II) the total amount of any commission charged to the client by the Dealer Member and, if the Dealer Member applied a mark-up or mark-down or any service charge other than a commission, the following notification or a notification that is substantially similar:
       “Dealer firm remuneration has been added to the price of this security (in the case of a purchase) or deducted from the price of this security (in the case of a sale). This amount was in addition to any commission this trade confirmation shows was charged to you.”,
and
(vii) in the case of all over-the-counter traded securities other than debt securities, including contracts for difference and foreign exchange contracts, but excluding primary market transactions and over-the-counter derivatives with non-standardized contract terms that are customized to the needs of a particular client and for which there is no secondary market, and the trade confirmation is being sent to a retail client, either of the following:
   (a) the total amount of any mark-up or mark-down, commission or other service charges the Dealer Member applied to the transaction,
   (b) the following notification or a notification that is substantially similar:
       “Dealer firm remuneration has been added to the price of this security (in the case of a purchase) or deducted from the price of this security (in the case of a sale).”,
and
(viii) in the case of transactions involving securities of the Dealer Member or a related issuer of the Dealer Member, or in the course of a distribution to the public, securities of a connected issuer of the Dealer Member, such trade confirmation shall state that the securities are securities of the Dealer Member, a related issuer of the Dealer Member or a connected issuer of the Dealer Member, as the case may be, and
(vi) in the case of a Dealer Member controlled by or affiliated with a financial institution, the relationship between the Dealer Member and the financial institution shall be disclosed on each trade confirmation issued in connection with a trade in securities of a mutual fund
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sponsored by the financial institution or a corporation controlled by or affiliated with the financial institution, except where the names of the Dealer Member and the mutual fund are sufficiently similar to indicate that they are controlled by or affiliated with the same financial institution,

and

(x) notwithstanding the provisions of this section 3816, a Dealer Member shall not be required to provide a confirmation to a client in respect of a trade:

(a) in a managed account, provided that:
   (I) prior to the trade, the client has consented in writing to waive the trade confirmation requirement,
   (II) the client may terminate a waiver by notice in writing. The termination notice shall be effective upon receipt of the written notice by the Dealer Member, for trades following the date of receipt,
   (III) the provision of a confirmation is not required under any securities laws of the jurisdiction in which the client resides or the Dealer Member has obtained an exemption from any such applicable laws by the responsible securities regulatory authority, and
   (IV) where:
      (A) a person other than the Dealer Member manages the account:
         (i) a trade confirmation has been sent to the manager of the account, and
         (ii) the Dealer Member complies with section 3808, or
      (B) the Dealer Member manages the account:
         (i) the account is not charged any commissions or fees based on the volume or value of transactions in the account,
         (ii) the Dealer Member sends to the client a monthly statement that is in compliance with section 3808 and contains all of the information required to be contained in a confirmation under this section 3816 except:
            (a) the day and the marketplace or marketplaces upon which the trade took place, or marketplace disclosure language acceptable to the Corporation,
            (b) the fee or other charge, if any, levied by any securities regulatory authority in connection with the trade,
            (c) the name of the salesperson, if any, in the transaction,
            (d) the name of the dealer, if any, used by the Dealer Member as its agent to effect the trade, and
            (e) must maintain and make available to the client or the Corporation, upon request, the name of the person or company from or to or through whom the security was
bought or sold, if acting as an agent in a trade upon an equity marketplace,

(iii) the Dealer Member maintains the information not required to be in the monthly statement pursuant to sub-paragraph 3816(2)(x)(a)(IV)(B)(ii) and discloses to the client on the monthly statement that such information will be provided to the client on request.

(b) In delivery against payment and receipt against payment trade accounts, provided that:

(I) the trade is either subject to or matched in accordance with broker-to-broker or institutional trade matching requirements under Corporation requirements or securities laws,

(II) the Dealer Member maintains an electronic audit trail of the trade under Corporation requirements or securities laws,

(III) prior to the trade, the client has agreed in writing to waive receipt of trade confirmations from the Dealer Member,

(IV) the client is either:

(A) another Dealer Member who is reporting or affirming trade details through an acceptable trade matching utility in accordance with sections 4751, 4753, 4754, 4755 and 4756, or

(B) an institutional client who is matching delivery against payment/receipt against payment account trades (either directly or through a custodian) in accordance with National Instrument 24-101,

(V) the Dealer Member and the client have real-time access to, and can download into their own system from the acceptable trade matching utility’s or the matching service utility’s system, trade details that are similar to the prescribed information under this section 3816, and

(VI) for broker-to-broker trade matching, the Dealer Member for the last four quarters:

(A) has not filed more than two reports under section 4756 informing the Corporation that it has not met the quarterly compliant trade percentage; and

(B) none of the reports it filed under section 4756 informing the Corporation that it has not met the quarterly compliant trade percentage has a quarterly compliant trade percentage of less than 85%.

(VII) for institutional trade matching, the Dealer Member has a quarterly compliant trade percentage of greater than or equal to 85% for at least two of the last four quarters.

A client may terminate their trade confirmation waiver, referred to in sub-clause 3816(2)(x)(b), by providing a written notice confirming this fact to the Dealer Member. The termination notice takes effect upon the Dealer Member’s receipt of the notice.
3817. Puts, calls and other options
   (1) A Dealer Member must maintain a record of all puts, calls, spreads, straddles and other options in which the Dealer Member has any direct or indirect interest or which the Dealer Member has granted or guaranteed, and the record must contain, at the minimum, an identification of the security and the number of units involved.

3818. Margin call records
   (1) A Dealer Member must maintain a record of all margin calls whether such calls are made in writing, by telephone or other means of communication.

3819. Account transfer records
   (1) Pursuant to Part B of Rule 4800, a Dealer Member must maintain a record of all communications concerning account transfers.

3820. – 3834. Reserved.

3835. Option of earlier date
   (1) Dealer Members have the option of providing clients with the following position cost and performance information:
      (i) position cost information included in client account statements [Definition of cost in subsection 3802(1) and clauses 3808(3)(vii) and 3808(3)(ix)],
      (ii) position cost information included in the report on client positions held outside of the Dealer Member [Definition of cost in subsection 3802(1) and clauses 3809(2)(iii) and 3809(2)(vi)],
   that is prepared as at a date earlier than December 31, 2015.
   (2) Dealer Members have the option of providing clients with the following position cost and performance information:
      (i) activity information included in the annual performance report [clauses 3810(2)(i) through 3810(2)(iv)], and
      (ii) percentage return information included in the annual performance report [clause 3810(2)(v)],
   that is prepared for a period that begins on a date earlier than July 15, 2015.
   (3) Where the option in subsection 3835(1) is pursued, all of the position cost information referenced in clauses 3835(1)(i) and 3835(1)(ii) must be prepared for all similar clients as at the same date.
   (4) Where the option in subsection 3835(2) is pursued, all of the activity and percentage return information referenced in clauses 3835(2)(i) and 3835(2)(ii) must be prepared for all similar clients as at the same date.

3836. – 3844. Reserved.

3845. Timing of the sending of documents to clients
   (1) All confirmations, statements, reports and other documents that are required to be sent to clients under sections 3803 through 3819 must be sent promptly to clients.
(2) The following documents must be sent to retail clients together:
   (i) performance report [section 3810], and
   (ii) fee / charge report [section 3811].

(3) The following documents must be sent to retail clients within 10 days after the client account statement for the monthly or quarterly period ending on the same date is sent:
   (i) report on client positions held outside of the Dealer Member [section 3809], and
   (ii) performance report and fee/charge report [sections 3810 and 3811].

3846. – 3899. Reserved.
RULE 3900 | SUPERVISION

3901. Introduction

(1) Rule 3900 sets out the Dealer Member’s obligation to supervise its business and operations. The rule is divided into seven parts as follows:

Part A – General supervision requirements
[sections 3904 through 3918]

Part B – Supervision of all accounts
[sections 3925 through 3927]

Part C – Supervision of retail client accounts
[sections 3945 through 3948]

Part D – Supervision of institutional client accounts
[sections 3950 and 3951]

Part E – Supervision of order execution only accounts
[section 3955]

Part F – Supervision of options, futures contracts and futures contract options trading accounts
[sections 3960 through 3968]

Part G – Supervision of discretionary accounts and managed accounts
[sections 3970 through 3973]

(2) Appropriate supervision of all aspects of a Dealer Member’s business and operations is a fundamental responsibility of the Dealer Member. The Dealer Member’s policies and procedures that specifically address its supervision system must remain up-to-date at all times, based on current Corporation requirements and applicable laws.

(3) The Dealer Member’s board of directors is responsible for ensuring that an appropriate supervision system is in place.

3902. – 3903. Reserved.

PART A – GENERAL SUPERVISION REQUIREMENTS

3904. Policies and procedures

(1) A Dealer Member’s policies and procedures must establish a supervisory system to supervise the activities of all its employees and Approved Persons that provides reasonable assurance they comply with Corporation requirements and securities laws.

(2) As part of its supervisory system, the Dealer Member, at a minimum, must:

(i) have policies and procedures that specifically address supervision of its employees and Approved Persons,

(ii) have policies and procedures relating to supervision that provide reasonable assurance of compliance with Corporation requirements, securities laws and applicable laws,

(iii) ensure all supervisory policies and procedures are in writing, and
amend its policies and procedures relating to supervision within a reasonable time after changes in Corporation requirements, or securities laws are made.

3. A Dealer Member must communicate its policies and procedures to all relevant employees and Approved Persons and must:
   (i) provide its sales and supervisory employees and Approved Persons with the Dealer Member's sales practices policies and procedures relevant to their functions,
   (ii) obtain and record acknowledgements from all sales and supervisory employees and Approved Persons that they have read and understood the policies and procedures relevant to their respective roles and responsibilities,
   (iii) provide introductory and continuing education to all Approved Persons on the Dealer Member's policies and procedures and any relevant changes to them,
   (iv) communicate information relating to Corporation requirements and applicable laws, to all sales employees and other Approved Persons to whom it is relevant,
   (v) have policies and procedures that specifically address the method and timing of the distribution of compliance related notices,
   (vi) promptly communicate changes in its policies and procedures to all relevant employees and Approved Persons, and
   (vii) have procedures to provide reasonable assurance that each employee and Approved Person understands their responsibilities under the Dealer Member's policies and procedures.

3905. Supervisory personnel and resources

   (1) A Dealer Member must assign sufficient personnel and commit adequate resources necessary to fully and properly apply and enforce its policies and procedures.

   (2) A Dealer Member must appoint as many Supervisors as necessary to properly supervise its employees and Approved Persons taking into account the scope and complexity of the Dealer Member's business.

   (3) A Dealer Member must designate as many Executives as necessary to ensure compliance with Corporation requirements, taking into account the scope and complexity of the Dealer Member's business.

   (4) A Dealer Member must designate Supervisors and Executives, with the qualifications and authority necessary to fully carry out the responsibilities assigned to them.

   (5) A Dealer Member must take reasonable steps to ensure all of its Supervisors and Executives are fully proficient and understand the products that employees and Approved Persons under their supervision trade in or advise on, as well as the services these employees and Approved Persons provide, to the degree necessary to properly supervise those employees and Approved Persons.

   (6) A Dealer Member must have procedures in place that ensure that Supervisors are properly performing their supervisory functions.

3906. Responsibilities of the Supervisor

   (1) Each Supervisor must fully and properly supervise each employee and Approved Person under their authority in accordance with:
Corporation Investment Dealer and Partially Consolidated Rules

3907. Delegation of supervisory tasks

(1) A Supervisor may delegate supervisory tasks and procedures, but not the responsibility for their performance.

(2) Any delegation of supervisory tasks must not be contrary to Corporation requirements, securities laws and applicable laws.

(3) A delegate must be qualified to perform the assigned tasks by virtue of registration, training or experience.

(4) The Supervisor must:
   (i) inform the delegate of the tasks delegated to them and what is expected of them in the performance of the delegated tasks, in writing,
   (ii) ensure that the delegate adequately performs the delegated tasks, and
   (iii) establish reporting mechanisms for issues arising from the performance of delegated tasks.

(5) The Dealer Member must maintain a record of the terms of the delegation, as well as the Supervisor’s follow up and review of the delegated tasks.

(6) The Dealer Member must inform the Supervisor of specific functions that cannot be delegated.

3908. Supervision records

(1) A Dealer Member must maintain a record of the names of Supervisors, their supervisory responsibilities and the date each Supervisor was designated.

(2) A Dealer Member must have a system in place to record the review and approval, conducted by any Supervisor that is required under Corporation requirements.

(3) A Dealer Member must maintain adequate records of supervisory activity, including on-site branch reviews, compliance issues identified and the resolution of such issues.

(4) Where supervision records are kept at a branch office, the Dealer Member must conduct periodic on-site reviews of branch office supervision and record keeping.

(5) The records set out in section 3908 must be kept for the period set out in section 3803.

3909. Responsibilities of the Executive

(1) Each Executive must supervise and direct the activities of the Dealer Member, and its employees and Approved Persons, in accordance with the areas of its responsibility, to provide reasonable assurance of compliance with Corporation requirements and securities laws.

3910. Responsibilities of the Ultimate Designated Person

(1) The Ultimate Designated Person is responsible to the Corporation for the conduct of the Dealer Member and the supervision of its employees and Approved Persons.

(2) The Ultimate Designated Person must:
(i) supervise the activities of the Dealer Member, and the activities of each individual acting on the Dealer Member’s behalf, that are directed towards ensuring compliance with Corporation requirements and securities laws, and

(ii) promote compliance by the Dealer Member, and each individual acting on its behalf, with Corporation requirements and securities laws.

3911. Reserved.

3912. Responsibilities of the Chief Compliance Officer

(1) The Chief Compliance Officer must:

   (i) establish and maintain policies and procedures to assess compliance by the Dealer Member and individuals acting on its behalf with Corporation requirements and securities laws, other than those required under subsection 3913(1),

   (ii) monitor and assess compliance by the Dealer Member and individuals acting on its behalf with Corporation requirements and securities laws, and

   (iii) report to the Ultimate Designated Person as soon as possible if there is any indication that the Dealer Member or any individual acting on its behalf may be in non-compliance with Corporation requirements or securities laws, other than those required under subsection 3913(1), and:

       (a) the non-compliance creates a reasonable risk of harm to a client,

       (b) the non-compliance creates a reasonable risk of harm to the capital markets, or

       (c) the non-compliance is part of a pattern of non-compliance.

(2) The Chief Compliance Officer must have access to the Ultimate Designated Person and the Dealer Member’s board of directors as necessary to carry out their responsibilities.

3913. Responsibilities of the Chief Financial Officer

(1) The Chief Financial Officer must:

   (i) establish and maintain policies and procedures for the Dealer Member relating to financial Corporation requirements,

   (ii) monitor adherence to the Dealer Member’s policies and procedures to provide reasonable assurance that the Dealer Member complies with the financial Corporation requirements,

   (iii) identify any breaches of approved capital usage limits and report them in accordance with section 4116; and

   (iv) report to the Ultimate Designated Person as soon as possible if there is any indication that the Dealer Member or any individual acting on its behalf may be in non-compliance with the financial requirements of the Corporation and:

       (a) the non-compliance creates a reasonable risk of harm to a client,

       (b) the non-compliance creates a reasonable risk of harm to the capital markets, or

       (c) the non-compliance is part of a pattern of non-compliance.

(2) The Chief Financial Officer must have access to the Ultimate Designated Person and the Dealer Member’s board of directors as necessary to carry out their responsibilities.

3914. Reserved.
3915. Report to Dealer Member’s board of directors

(1) At least annually, the Chief Compliance Officer must provide a written report to the Dealer Member’s board of directors for the purpose of assessing compliance by the Dealer Member, and its employees and Approved Persons, with Corporation requirements and securities laws, other than those required under subsection 3915(2).

(2) At least annually, the Chief Financial Officer must provide a written report to the Dealer Member’s board of directors for the purpose of assessing compliance by the Dealer Member, and its employees and Approved Persons, with the financial Corporation requirements and securities laws, as necessary.

(3) The Dealer Member’s board of directors must review the reports and recommendations submitted to it pursuant to section 3915 to determine the appropriate action to be taken to remedy any compliance deficiencies that are identified and must ensure that such action is taken.

(4) The Dealer Member’s board of directors must maintain records of the actions it determines necessary to correct compliance problems and the monitoring done to ensure that the actions are carried out.

3916. Governance document

(1) A Dealer Member must file with the Corporation:
   (i) a copy of a current governance document that sets out the organizational structure and reporting relationships required under Rule 3900, and
   (ii) notice of any material changes to the organizational structure and reporting relationships set out in the governance document.

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

(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.

3918. Supervision of shared office premises

(1) A Dealer Member must have policies and procedures that specifically address the supervision of shared office premises, as contemplated by section 2216, to provide reasonable assurance:
   (i) compliance with Corporation requirements, and
   (ii) the client has a clear understanding of which entity they are dealing with.

(2) A Dealer Member must have:
   (i) adequate supervisory resources to implement its policies and procedures,
   (ii) a system for communicating Corporation requirements relating to employees and Approved Persons at the shared office premises, and
   (iii) a process providing reasonable assurance that Corporation requirements relating to shared office premises are understood and implemented.

3919. – 3924. Reserved.
PART B – SUPERVISION OF ALL ACCOUNTS

3925. Supervision by designated persons

(1) A Dealer Member must effectively supervise account activity and must take reasonable steps to provide reasonable assurance of compliance with Corporation requirements, securities laws and applicable laws.

(2) A Dealer Member must designate one or more Supervisors to be responsible for approving the opening of new accounts and for establishing and maintaining procedures relating to account supervision and supervising account activity, in accordance with Corporation requirements.

(3) The designated Supervisor must be familiar with applicable Corporation requirements, securities laws and applicable laws and the Dealer Member’s policies and procedures.

(4) A Dealer Member must appoint one or more alternate Supervisors as required, to the Supervisors designated in subsection 3925(2), to supervise the Dealer Member’s business and to assume the responsibility of the designated Supervisor in their absence.

3926. Account supervision policies and procedures

(1) A Dealer Member’s policies and procedures must specifically address account supervision, which includes its standards for the review and supervision of account activity.

(2) A Dealer Member’s policies and procedures must specifically address the Dealer Member’s obligations to:
   (i) identify clients that present a high risk to the Dealer Member,
   (ii) identify clients that present a high risk of conducting improper activities in the securities markets, and
   (iii) comply with all anti-money laundering and terrorist financing requirements under applicable laws.

(3) All policies and procedures relating to the supervision of accounts held at a Dealer Member and any substantive amendments to such policies and procedures, must be approved by the Dealer Member’s Chief Compliance Officer or another appropriate Executive.

(4) A Dealer Member must provide all supervisory staff with written:
   (i) procedures to be followed in reviewing account activity, and
   (ii) confirmation of the Dealer Member’s expectations of supervisory staff, with respect to their supervisory roles and responsibilities.

(5) A Dealer Member’s policies and procedures must include controls for accessing and amending client records.

(6) A Dealer Member must periodically review the policies and procedures used at its head office and its branch offices to provide reasonable assurance the policies and procedures continue to be effective and reflect current legislative and regulatory requirements, as well as industry practices.

3927. Reviews of account activity

(1) A Dealer Member must review account activity as required by Corporation requirements and must take reasonable steps to provide reasonable assurance that account activity complies with
Corporation requirements, securities laws and other applicable laws and the Dealer Member’s policies and procedures.

(2) A Dealer Member must record and keep evidence of completed supervisory reviews, including details of inquiries about issues and their resolution, for the period required in section 3803.

(3) A Dealer Member must establish and follow procedures for the implementation of additional supervisory measures applicable to Approved Persons with a history of regulatory infractions or questionable conduct.

3928. – 3944. Reserved.

PART C – SUPERVISION OF RETAIL CLIENT ACCOUNTS

3945. Daily and monthly trade supervision

(1) A Dealer Member that has retail client accounts must have policies and procedures that specifically address daily and monthly supervision of trading activity in retail client accounts. These policies and procedures must outline actions to deal with problems or issues identified by the review.

(2) In addition to meeting the Dealer Member’s general supervisory obligations and any relevant obligations relating to trading, the policies and procedures relating to the supervision of retail client accounts must specifically address the detection of:

(i) unsuitable trading,
(ii) undue concentration of securities in a single account or across accounts,
(iii) excessive trading,
(iv) trading in restricted securities,
(v) conflict of interest between Registered Representative, Investment Representative, Portfolio Manager and Associate Portfolio Manager and client trading activity,
(vi) excessive trade transfers and trade cancellation indicating possible unauthorized trading,
(vii) inappropriate or high risk trading strategies,
(viii) deterioration of the quality of client holdings in an account,
(ix) excessive or improper crosses of securities between clients,
(x) improper or excessive employee trading,
(xi) front running,
(xii) account number changes,
(xiii) late payment,
(xiv) outstanding margin calls,
(xv) undisclosed short sales,
(xvi) manipulative and deceptive activities, and
(xvii) insider trading.

(3) The Dealer Member must develop policies and procedures that specifically address supervising retail client accounts where a commission is not charged for trades placed by or for a client, such as fee based accounts. These policies and procedures must:
(i) address account activity review Corporation requirements, and
(ii) use criteria other than commission levels.

(4) The Dealer Member must specifically designate the following retail client accounts for supervision purposes:
(i) non-client accounts,
(ii) discretionary accounts,
(iii) managed accounts,
(iv) registered accounts, and
(v) restricted accounts.

3946. Additional supervisory responsibilities

(1) In addition to transactional activity, the Dealer Member’s policies and procedures must specifically address identifying, dealing with and informing the appropriate Supervisors of other client related matters, including:
(i) client complaints,
(ii) cash account violations,
(iii) transfers of funds and securities between unrelated accounts or between non-client accounts and client accounts or deposits from non-client accounts to client accounts, and
(iv) trading while the account is under margined.

3947. Supervision of new Registered Representatives and Investment Representatives

(1) A Dealer Member must closely supervise Registered Representatives and Investment Representatives dealing with retail clients for six months after approval, as set out in the Registered Representative / Investment Representative Monthly Supervision Report.

(2) Subsection 3947(1) does not apply if:
(i) the Registered Representative was previously approved, for six months or more, to advise on trades for retail clients for a securities firm that is a member of a SRO or a recognized foreign self-regulatory organization, or
(ii) the Investment Representative was previously approved for six months or more to advise on trades or to trade for retail clients for a securities firm that is a member of a SRO or a recognized foreign self-regulatory organization.

(3) A Dealer Member must complete and keep a copy of every Registered Representative / Investment Representative Monthly Supervision Report for the Corporation’s inspection.

3948. Supervision of suitability determination obligations

(1) A Dealer Member must supervise each Registered Representative, Investment Representative, Portfolio Manager and Associate Portfolio Manager to confirm that they are complying with their responsibilities relating to the suitability determination to retail clients under Rule 3400.

3949. Reserved.
PART D – SUPERVISION OF INSTITUTIONAL CLIENT ACCOUNTS

3950. Supervisory policies and procedures for institutional client accounts

(1) A Dealer Member that offers institutional client accounts must have policies and procedures that specifically address the supervision and review of trading activity in institutional clients’ accounts. These policies and procedures must outline the actions to deal with problems or issues identified from supervisory reviews.

(2) In addition to meeting the Dealer Member’s general supervisory obligations, including any relevant obligations relating to trading in securities, debt securities, options, futures contracts and futures contract options, the policies and procedures relating to the supervision of institutional client accounts must specifically address detecting improper or suspicious account activity including:
   (i) manipulative and deceptive activities,
   (ii) trading in securities on the Dealer Member’s restricted list,
   (iii) front running by employee or proprietary accounts,
   (iv) trading in securities that have restrictions on their transfer, and
   (v) exceeding position or exercise limits on derivative products.

3951. Supervision of suitability determination obligations

(1) A Dealer Member must supervise each Registered Representative, Investment Representative, Portfolio Manager and Associate Portfolio Manager to confirm their compliance with their responsibilities relating to the suitability determination to institutional clients under section 3403.

3952. –3954. Reserved.

PART E – SUPERVISION OF ORDER EXECUTION ONLY ACCOUNTS

3955. Supervision of order execution only accounts

(1) A Dealer Member that is approved by the Corporation to provide order execution only accounts within a separate legal entity or within a separate business unit must have policies and procedures in place to:
   (i) meet the Dealer Member’s general supervisory obligations and any relevant obligations relating to trading in securities, debt securities, options, futures contracts and futures contract options,
   (ii) ensure that clients are not provided with recommendations as a result of the client having an account with:
      (a) a separate legal entity of the Dealer Member,
      (b) a separate business unit of the Dealer Member, or
      (c) the Dealer Member itself, and
   (iii) to review customer trading and accounts for those concerns listed in Rule 3900, other than those relating to the suitability requirements.
(2) The Dealer Member’s, or separate business unit of the Dealer Member, policies and procedures relating to review of client trading must specifically address the risks associated with the method of order entry and the absence of intermediation by employees of the Dealer Member.

(3) The Dealer Member or separate business unit of the Dealer Member must maintain an audit trail of all supervisory reviews as required in Rule 3900.

(4) The Dealer Member or separate business unit of the Dealer Member must have sufficient supervisory resources allocated at head office and branch levels to effectively implement the supervisory procedures required under section 3955.

3956. – 3959. Reserved.

PART F – SUPERVISION OF OPTIONS, FUTURES CONTRACTS AND FUTURES CONTRACT OPTION TRADING ACCOUNTS

3960. Supervision of options accounts

(1) A Dealer Member that allows trading in options must appoint a designated Supervisor to supervise its options activity.

(2) The designated Supervisor must have the qualifications and experience required to supervise the Dealer Member’s options activity.

(3) The Dealer Member must appoint one or more alternate Supervisors if necessary to ensure continuous supervision of its options activity.

(4) An alternate Supervisor must assume all or part of the designated Supervisor’s responsibilities if:
   (i) the designated Supervisor is absent or unable to carry out their duties, or
   (ii) a Dealer Member’s trading activity requires additional qualified individuals to supervise the Dealer Member’s option contract business.

3961. Responsibility of designated Supervisors for options accounts

(1) The designated Supervisor is responsible for:
   (i) approving new options accounts, and
   (ii) ensuring that the handling of clients’ options account trading complies with Corporation requirements.

3962. Supervision of retail options accounts

(1) The designated Supervisor is responsible for ensuring that all recommendations made for an account are and continue to be suitable for the client and put the client’s interest first.

(2) The Dealer Member must ensure that only Registered Representatives, Investment Representatives, Portfolio Managers and Associate Portfolio Managers that are also options qualified trade in or advise on options.

(3) On a daily and monthly basis, the designated Supervisor must review all options accounts that are designated as discretionary accounts and managed accounts.

(4) The Dealer Member must have policies and procedures that specifically address notifying clients of:
(i) approaching expiry dates,
(ii) significant changes in options resulting from changes in the underlying interest,
(iii) any changes in the Dealer Member’s business policy, and
(iv) any new developments in the trading or regulation of options that may impact clients.

(5) The Dealer Member must have policies and procedures that specifically require the designated Supervisor to approve the solicitation of clients to use options programs, as well as clients’ actual use of options.

3963. Supervision of retail options account trading activity

(1) In addition to Corporation requirements relating to account supervision, the Dealer Member’s policies and procedures must specifically address reviewing option trading activity to detect the following:
   (i) the exceeding of position or exercise limits, and
   (ii) exposures arising out of uncovered option positions.

(2) Accounts must be selected for review using criteria that provides reasonable assurance of detecting improper trading activity.

3964. Supervision of futures contract and futures contract options accounts

(1) A Dealer Member that trades or advises in respect of futures contract or futures contract options must appoint a designated Supervisor to supervise its futures contract and futures contract options activity.

(2) The designated Supervisor must have the qualifications and experience required to supervise the Dealer Member’s futures contract or futures contract options activity.

(3) The Dealer Member must appoint one or more alternate Supervisors if necessary to ensure continuous supervision of its futures contract and futures contract options activity.

(4) An alternate Supervisor must assume all or some of the designated Supervisor’s responsibilities if:
   (i) the designated Supervisor is absent or unable to carry out their duties, or
   (ii) a Dealer Member’s trading activity requires additional qualified individuals to supervise the Dealer Member’s futures contract and futures contract options business.

3965. Responsibility of designated Supervisors for futures contract and futures contract options accounts

(1) For futures contract accounts and futures contract option accounts, the respective designated Supervisors are responsible for:
   (i) approving new futures contract accounts and futures contract options accounts, and
   (ii) ensuring the handling of clients’ futures contract and futures contract options account trading complies with Corporation requirements.

3966. Access to Approved Persons qualified in futures contract and futures contract options

(1) The Dealer Member’s policies and procedures must specifically address that futures contract and futures contract options clients have access, during normal business hours, to a Registered Representative, Investment Representative, Portfolio Manager or Associate Portfolio Manager qualified to deal in futures contracts and futures contract options.
3967. Supervision of retail futures contract and futures contract options accounts

(1) The designated Supervisor is responsible for:
   (i) reviewing and approving client loss limits when they are set annually, taking into consideration previous losses, and
   (ii) ensuring that all recommendations made for an account are and continue to be suitable for the client and put the client’s interest first.

(2) The Dealer Member must ensure that only futures contract and futures contract options qualified Registered Representatives, Investment Representatives, Portfolio Managers and Associate Portfolio Managers trade in or advise on futures contracts or futures contract options.

(3) The designated Supervisor must review all discretionary and managed futures contract and futures contract options accounts on a daily and monthly basis.

(4) The Dealer Member’s policies and procedures must specifically address proper handling of positions with pending delivery months.

(5) The Dealer Member must establish procedures to notify clients of:
   (i) any changes in the Dealer Member’s business policy, and
   (ii) new developments in trading and regulation of futures contracts and futures contract options that may impact clients.

(6) The Dealer Member’s policies and procedures must specifically require the designated Supervisor to approve the solicitation of clients to use futures programs as well as clients’ use of futures contracts or futures contract options.

3968. Supervision of retail futures contract and futures contract options trading activity

(1) The Dealer Member must review all futures contracts and futures contract options trading to detect the following:
   (i) excessive day trading resulting in trading large numbers of contracts,
   (ii) trading while the account is under margined,
   (iii) trading beyond margin or credit limits,
   (iv) cumulative losses exceeding risk limits,
   (v) position and exercise limits that have been exceeded,
   (vi) speculative trading in hedge accounts, and
   (vii) exposure to delivery through holding contracts into delivery month.

3969. Reserved.

PART G—SUPERVISION OF DISCRETIONARY ACCOUNTS AND MANAGED ACCOUNTS

3970. Supervision for discretionary accounts

(1) In addition to Corporation requirements relating to account supervision, the designated Supervisor responsible for discretionary accounts must also review the financial performance of each discretionary account at least monthly.

(2) As part of the review in subsection 3970(1), the designated Supervisor must also review discretionary accounts to determine if the Registered Representative, authorized to affect trades
for the discretionary account should continue to do so, based on the designated Supervisor’s assessment of the discretionary account’s financial performance.

(3) The designated Supervisor responsible for discretionary accounts must not delegate the performance of the reviews required in subsections 3970(1) and 3970(2) to any other person.

(4) A designated Supervisor must review any discretionary order initiated in a discretionary account by a Registered Representative prior to the order being entered unless:
   (i) the Registered Representative has been approved as a Portfolio Manager, or
   (ii) the Registered Representative is also an Executive, and
   (iii) the designated Supervisor reviews the order no later than one business day after the trade was made.

(5) A designated Supervisor must review any discretionary order initiated for a discretionary account by an Executive who is approved as a Portfolio Manager, no later than the day after the trade was made.

3971. Supervision of managed accounts

(1) A Dealer Member that has managed accounts must:
   (i) designate a Supervisor to be responsible for the supervision of managed accounts, and
   (ii) have policies and procedures that specifically address the supervision of individuals responsible for handling managed accounts to provide reasonable assurance of compliance with Corporation requirements.

(2) In addition to meeting the Dealer Member’s general supervisory obligations and any relevant obligations relating to trading in securities, debt securities, options, futures contracts and futures contract options, the Dealer Member’s policies and procedures dealing with the supervision of managed accounts must specifically address:
   (i) identifying when a Portfolio Manager or sub-adviser, as described in section 3279, has contravened managed account conflict of interest related requirements set out in section 3280, and
   (ii) ensuring fairness in the allocation of investment opportunities among its managed accounts.

(3) The Dealer Member’s policies and procedures dealing with the supervision of managed accounts must specifically address the direct supervision of any Associate Portfolio Manager that provides discretionary management to managed accounts, including a prohibition on the Associate Portfolio Manager providing advice unless the advice has been approved by a Portfolio Manager at the Dealer Member prior to the Associate Portfolio Manager providing the advice.

(4) Supervision of the Associate Portfolio Manager must be conducted by:
   (i) a Portfolio Manager at the Dealer Member or another Dealer Member who is authorized to provide discretionary management to managed accounts and who is not in the period of close supervision, or
   (ii) a person registered as an advisor under securities laws who has entered into a contract with the Dealer Member to provide the supervision.
3972. **Managed account committee**

(1) A Dealer Member that has managed accounts must establish a managed account committee that includes at least one designated Supervisor responsible for managed accounts and the Chief Compliance Officer. The committee must, at least annually:

(i) review the Dealer Member’s policies and procedures dealing with the supervision of managed accounts, and

(ii) recommend to senior management appropriate actions necessary to achieve compliance with Corporation requirements and securities laws, applicable to managed accounts.

3973. **Managed account review**

(1) In addition to Corporation requirements relating to account supervision, the designated Supervisor under clause 3970(1)(i) must review each managed account quarterly to provide reasonable assurance that:

(i) the client’s investment objectives are being pursued, and

(ii) the handling of each of the managed accounts complies with Corporation requirements.

(2) If the investment decisions for a managed account are made centrally and apply to a number of managed accounts, the quarterly review may be done at an aggregate level, subject to minor variations to allow for client directed investment restrictions and the timing of client cash flows into the managed account.

3974. – 3999. Reserved.
RULE 4100 | GENERAL DEALER MEMBER FINANCIAL STANDARDS – MINIMUM CAPITAL, EARLY WARNING, FINANCIAL REPORTS AND AUDITORS

4101. Introduction

(1) Rule 4100 sets out the following Dealer Member general financial requirements:

Part A - Minimum capital level and related requirements
[sections 4110 through 4119]

Part B - Early warning tests and related requirements
[sections 4130 through 4138]

Part C - Regulatory financial report filing requirements
[sections 4150 through 4153]

Part D - Appointment of auditors and audit requirements
[sections 4170 through 4192]

4102. - 4109. Reserved.

PART A - MINIMUM CAPITAL LEVEL AND RELATED REQUIREMENTS

4110. Introduction

(1) Part A of Rule 4100 sets out general Corporation requirements for:

(i) maintaining at all times a positive risk adjusted capital amount,

(ii) averting, reporting and remediying any negative risk adjusted capital situations,

(iii) calculating its current risk adjusted capital amount,

(iv) maintaining and utilizing a capital adequacy reporting system, and

(v) consolidating its financial position reporting with related companies.

4111. Maintaining a positive risk adjusted capital amount

(1) A Dealer Member must at all times maintain a risk adjusted capital amount of greater than zero.

4112. Negative risk adjusted capital and other early warning test failure situations

(1) The Chief Financial Officer and Ultimate Designated Person must take prompt action to:

(i) avert or remedy any projected or actual negative risk adjusted capital situations,

(ii) report to the Corporation any actual negative risk adjusted capital situations,

(iii) report to the Corporation 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 the Corporation 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.

4113. Calculating current risk adjusted capital amount - general requirements

(1) A Dealer Member must calculate its risk adjusted capital amount according to the requirements specified in Form 1 and any other Corporation 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.

4114. Calculating current capital position - weekly documentation

(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:

(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.

4115. Calculating current capital position - monthly documentation and reconciliation

(1) A Dealer Member must generate monthly trial balances and prepare regulatory capital computations based on its current ledger accounts to:

(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.

(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.

(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 re-occurrence.

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

(1) A Dealer Member must:
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 Corporation 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 Corporation requirements.

4117. Consolidation of financial position with related companies

(1) In calculating its risk adjusted capital, a Dealer Member may consolidate its financial position with the financial position of any of its related companies if:

(i) the Corporation has provided the Dealer Member with prior written approval of the consolidation,

(ii) the Dealer Member has guaranteed the obligations of the related company and the related company has guaranteed the obligations of the Dealer Member,

(iii) the guarantees are:

(a) in a form acceptable to the Corporation, and

(b) unlimited in amount,

and

(iv) the consolidation meets the requirements in subsection 4117(2).

(2) A Dealer Member consolidating its financial position with a related company under subsection 4117(1) must comply with the following requirements or with other requirements acceptable to the Corporation:

(i) eliminate inter-company accounts between the Dealer Member and the related company,
(ii) eliminate any minority interests in the related company from the Dealer Member’s capital calculation, and

(iii) combine Dealer Member and related company financial information prepared as at the same date.

4118. Options for calculating risk adjusted capital available to well-capitalized Dealer Members

(1) A Dealer Member, whose risk adjusted capital, early warning excess and early warning reserve amounts are substantially in excess of that required under Corporation requirements, may apply requirements more stringent than the Corporation capital computation requirements and thereby omit certain documentation in support of the computation. For example, when calculating risk adjusted capital:

(i) inventories can be grouped into broader margin categories and maximum margin rates applied,

(ii) margin requirement reductions for offset positions recognized elsewhere in Corporation requirements can be ignored, and

(iii) assets partly allowable or of questionable value can be excluded entirely.

4119. Dealer Member guarantees

(1) Any guarantee provided by a Dealer Member must be of a fixed or determinable amount, unless the guarantee is given to a related company in accordance with section 2206.

4120. - 4129. Reserved.

PART B - EARLY WARNING TESTS AND RELATED REQUIREMENTS

4130. Introduction

(1) Part B of Rule 4100 describes the early warning system that alerts the Corporation to a Dealer Member’s financial or operational problems. It also sets out the process the Corporation follows and the requirements that Dealer Members must comply with to resolve early warning test violation situations before they worsen.

(2) A Dealer Member has a responsibility to:

(i) monitor for early warning test violations,

(ii) avoid the potential for early warning test violations, and

(iii) report early warning test violations to the Corporation when they occur.

4131. Definitions

(1) The following terms have the meaning set out below when used in Part B of Rule 4100:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>“average monthly loss”</td>
<td>The sum of the Dealer Member’s monthly profit and loss amounts for a particular period divided by the number of months in the period and the result is a loss.</td>
</tr>
<tr>
<td>“early warning test violation”</td>
<td>The Dealer Member has failed an early warning test as set out in Schedules 13 and 13A of Form 1.</td>
</tr>
<tr>
<td>“loss”</td>
<td>The Dealer Member’s loss, if any, for early warning test purposes as set out in Statement E of Form 1.</td>
</tr>
</tbody>
</table>
4132. Early warning designation, levels and tests

(1) A Dealer Member is designated as being in early warning level 1 or level 2 if at any time it has violated any one of the following tests:

<table>
<thead>
<tr>
<th>Early warning tests</th>
<th>Early warning level 1</th>
<th>Early warning level 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity test</td>
<td>Dealer Member’s early warning reserve is less than zero.</td>
<td>Dealer Member’s early warning excess is less than zero.</td>
</tr>
<tr>
<td>Capital test</td>
<td>Dealer Member’s risk adjusted capital is less than five per cent of its total margin required.</td>
<td>Dealer Member’s risk adjusted capital is less than two per cent of its total margin required.</td>
</tr>
<tr>
<td>Profitability test #1</td>
<td>Dealer Member’s current month risk adjusted capital is less than six times but greater than or equal to three times the absolute value of its average monthly loss, if any, for the six-month period ending with the current month, and Dealer Member’s preceding month risk adjusted capital is less than six times the absolute value of its average monthly loss, if any, for the six-month period ending with the preceding month.</td>
<td>Dealer Member’s current month risk adjusted capital is less than three times the absolute value of its average monthly loss, if any, for the six-month period ending with the current month, and Dealer Member’s preceding month risk adjusted capital is less than six times the absolute value of its average monthly loss, if any, for the six-month period ending with the preceding month.</td>
</tr>
<tr>
<td>Profitability test #2</td>
<td>Dealer Member’s current month risk adjusted capital is less than six times the absolute value of its loss, if any, for the current month.</td>
<td>Dealer Member’s current month risk adjusted capital is less than three times the absolute value of its loss, if any, for the current month.</td>
</tr>
<tr>
<td>Profitability test #3</td>
<td>Not applicable</td>
<td>Dealer Member has been designated as being in any early warning, excluding discretionary early warnings, three or more times in the preceding six months, or Dealer Member has failed an early warning level 1 profitability test and at the same time has also failed either an</td>
</tr>
<tr>
<td>Frequency</td>
<td>Not applicable</td>
<td>Dealer Member has been designated as being in any early warning, excluding discretionary early warnings, three or more times in the preceding six months, or Dealer Member has failed an early warning level 1 profitability test and at the same time has also failed either an</td>
</tr>
</tbody>
</table>
4133. Early warning related requirements

(1) When a Dealer Member has been designated as being in early warning level 1 or level 2, because of an early warning test violation under section 4132, the following actions must be taken:

<table>
<thead>
<tr>
<th>Early warning tests</th>
<th>Early warning level 1</th>
<th>Early warning level 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notifying the Corporation in writing</td>
<td>The Dealer Member’s Ultimate Designated Person and Chief Financial Officer must immediately deliver a letter to the Corporation detailing:</td>
<td>The Dealer Member’s Ultimate Designated Person and Chief Financial Officer must immediately deliver a letter to the Corporation detailing:</td>
</tr>
<tr>
<td></td>
<td>(i) the early warning tests in section 4132 that have been violated,</td>
<td>(i) the early warning tests in section 4132 that have been violated,</td>
</tr>
<tr>
<td></td>
<td>(ii) the identified problems that resulted in the test violation,</td>
<td>(ii) the identified problems that resulted in the test violation,</td>
</tr>
<tr>
<td></td>
<td>(iii) the Dealer Member’s proposed plan to rectify the problems identified, and</td>
<td>(iii) the Dealer Member’s proposed plan to rectify the problems identified, and</td>
</tr>
<tr>
<td></td>
<td>(iv) the Dealer Member’s acknowledgement that it is in early warning level 1 and that the restrictions in section 4135 apply.</td>
<td>(iv) the Dealer Member’s acknowledgement that it is in early warning level 2 and that the restrictions in section 4135 apply.</td>
</tr>
<tr>
<td>The Dealer Member must send a copy of the notification letter to its auditor and the Canadian Investor Protection Fund.</td>
<td>The Dealer Member must send a copy of the notification letter to its auditor and the Canadian Investor Protection Fund.</td>
<td></td>
</tr>
<tr>
<td>Meeting with the Corporation</td>
<td>Not applicable</td>
<td>The Dealer Member’s Ultimate Designated Person and Chief Financial Officer must meet with the Corporation to present the Dealer Member’s plan for rectifying the identified problems.</td>
</tr>
<tr>
<td>Taking required actions</td>
<td>The Dealer Member must:</td>
<td>The Dealer Member must:</td>
</tr>
<tr>
<td></td>
<td>(i) file a monthly financial report required under section 4151 within 15 business days after the end of each month or on any earlier day that the Corporation considers practicable,</td>
<td>(i) file a weekly capital report with the same information as a monthly financial report within five business days after the end of each week or on any earlier day that the Corporation considers practicable,</td>
</tr>
<tr>
<td>Responding to the Corporation’s letter</td>
<td>Early warning level 1</td>
<td>Early warning level 2</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>-----------------------</td>
<td>-----------------------</td>
</tr>
<tr>
<td><strong>The Corporation will send a letter to a Dealer Member in early warning level 1 confirming that the Dealer Member has been designated as being in early warning level 1 and requesting information from the Dealer Member.</strong></td>
<td>(ii) provide any other information that the Corporation requests, and (iii) comply with the business restrictions in section 4135.</td>
<td>(ii) file a weekly report, in a Corporation prescribed form, of its aged segregation deficiencies and an outline of its plan to correct them according to sections 4321 through 4326, (iii) file a business plan for such period and covering such matters as the Corporation specifies, (iv) file its next monthly financial report required under section 4151 within 10 business days after the end of each month or any earlier day that the Corporation considers practicable, (v) provide any other information that the Corporation requests, and (vi) comply with the business restrictions in section 4135.</td>
</tr>
<tr>
<td><strong>A Dealer Member will respond to the Corporation’s early warning letter within five business days:</strong></td>
<td><strong>The Corporation will send a letter to a Dealer Member in early warning level 2 confirming that the Dealer Member has been designated as being in early warning level 2 and requesting information from the Dealer Member.</strong></td>
<td><strong>The Corporation will send a letter to a Dealer Member in early warning level 2 confirming that the Dealer Member has been designated as being in early warning level 2 and requesting information from the Dealer Member.</strong></td>
</tr>
<tr>
<td>(i) with the requested information, <strong>or</strong> (ii) acknowledging it will submit the information promptly, <strong>and</strong> (iii) with an update on the Dealer Member’s early warning situation if any material circumstances have changed.</td>
<td></td>
<td>(i) with the requested information, <strong>or</strong> (ii) acknowledging it will submit the information promptly, <strong>and</strong> (iii) with an update on the Dealer Member’s early warning situation if any material circumstances have changed.</td>
</tr>
<tr>
<td>The Dealer Member must send copies of its response letter to its auditor and the Canadian Investor Protection Fund.</td>
<td></td>
<td>The Dealer Member must send copies of its response letter to its auditor and the Canadian Investor Protection Fund.</td>
</tr>
</tbody>
</table>
4134. Discretion to designate a Dealer Member as being in early warning

(1) The Corporation may designate a Dealer Member as being in early warning level 1 or 2, if at any time, the condition of the Dealer Member is not satisfactory for any reason, including:

(i) financial or operating difficulties,
(ii) problems arising from a record-keeping conversion or significant changes in clearing methods,
(iii) issues related to being a new Dealer Member, or
(iv) lateness in any filing or reporting required by the Corporation.

4135. Restrictions on a Dealer Member in early warning

(1) A Dealer Member designated as being in early warning level 1 or 2 must obtain the Corporation’s written consent before:

(i) reducing its capital in any way, including by share redemption, re-purchase or cancellation,
(ii) reducing any of its Corporation approved subordinated indebtedness,
(iii) incurring any direct or indirect loan, advance, bonus, dividend, capital or other payments or distributions of assets to any Director, officer, partner, shareholder, related company, affiliate or associate, or
(iv) incurring any commitments to increase its non-allowable assets.

4136. Additional restrictions

(1) The Corporation may impose any of the following additional restrictions on a Dealer Member in early warning:

<table>
<thead>
<tr>
<th>Early warning level 1</th>
<th>Early warning level 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>(i) Reducing the amount of clients’ free credit balances that the Dealer Member or its carrying broker may use under Part C of Rule 4300, to an amount the Corporation considers desirable.</td>
</tr>
</tbody>
</table>
Early warning level 1  |  Early warning level 2  
---|---  
(ii) Prohibiting the Dealer Member from opening new branch offices, hiring any new Registered Representatives, Investment Representatives, Portfolio Managers or Associate Portfolio Managers, opening any new client accounts, or changing in any material way the Dealer Member’s inventory positions.

(2) For the restrictions under early warning level 2 part (ii) of subsection 4136(1), the Corporation must provide the Dealer Member with a written notice of the order imposing additional restrictions on the Dealer Member.

(3) Review of early warning level 2 prohibitions

(i) The Dealer Member may request a hearing panel review of a subsection 4136(2) order within three business days after release of the decision.

(ii) If a request for review is made, the hearing shall be held as soon as reasonably possible and no later than 21 days after the request for review, unless otherwise agreed by the parties. The hearing panel review shall be conducted in accordance with the requirements set out in Rule 9300.

(iii) If a Dealer Member does not request a review within the time period prescribed in clause 4136(3)(i), the subsection 4136(2) order becomes effective and final.

4137. Prohibited transactions

(1) A Dealer Member must not enter into any transaction that would cause the Dealer Member to be in early warning unless it first notifies the Corporation in writing of its intention to do so and receives the Corporation’s written approval.

4138. Lifting an early warning designation

(1) A Dealer Member will remain designated as being in early warning level 1 or 2 until the Corporation confirms in writing that the early warning designation has been lifted. The Corporation will lift the early warning designation when the Dealer Member files a monthly financial report, or submits such other evidence or assurances, that satisfies the Corporation that the Dealer Member has solved the problems that placed it in early warning.

4139. - 4149. Reserved.

PART C - REGULATORY FINANCIAL REPORT FILING REQUIREMENTS

4150. Introduction

(1) Part C of Rule 4100 sets out a Dealer Member’s financial reporting obligations. Financial reporting enables the Corporation to monitor a Dealer Member’s financial position and compliance with Corporation requirements relating to regulatory capital, as well as to receive an early indication of any deterioration in that position.

4151. Dealer Member financial filings

(1) A Dealer Member must file:

(i) an audited Form 1 for its fiscal year within seven weeks following year-end, and
(ii) a monthly financial report for each calendar month within 20 business days following month-end, in accordance with Corporation requirements.

4152. Extending deadline for financial filings

(1) A Dealer Member may request an extension of time for filing its monthly financial report by writing to the Corporation.

(2) A Dealer Member’s auditor may request an extension of time for filing the Dealer Member’s annual Form 1 by writing to the Corporation.

(3) The Corporation may grant an extension under subsections 4152(1) and 4152(2) if it considers the request to be appropriate in the circumstances.

4153. Late filing fee

(1) A Dealer Member must pay a fee, even when an extension is granted, to the Corporation if it does not file a document or information required under Part C of Rule 4100 within the time prescribed by the Corporation.

4154. - 4169. Reserved.

PART D - APPOINTMENT OF AUDITORS AND AUDIT REQUIREMENTS

4170. Introduction

(1) Part D of Rule 4100 sets out the minimum requirements for the appointment of auditors and for the conducting of audits. The audit requirements ensure that auditors test for specific financial and regulatory compliance issues and report any breaches of rules or standards to the Corporation.

4171. Approved auditors

(1) The Corporation annually approves, based on adopted criteria, a list of audit firms as panel auditors eligible to perform the audit of the Dealer Member’s fiscal year Form 1 filing.

(2) The Corporation may remove an audit firm from the approved list if the audit firm no longer meets the criteria referred to in subsection 4171(1).

4172. Dealer Member’s auditor

(1) A Dealer Member must use a Corporation approved auditor to perform the audit of the Dealer Member’s fiscal year Form 1 filing.

4173. Responsibilities of a Dealer Member’s auditor

(1) The Dealer Member’s auditor must:
   (i) conduct an audit of the Dealer Member’s fiscal year Form 1 filing, and
   (ii) carry out procedures of sufficient scope during the audit to enable the auditor to express an opinion on the Dealer Member’s fiscal year Form 1 filing.

4174. No limitation on scope or procedures

(1) Nothing in Rule 4100:
4175. Audit in accordance with Canadian Auditing Standards

(1) The Dealer Member’s auditor must audit the Dealer Member’s fiscal year Form 1 filing in accordance with Canadian Auditing Standards. The audit of a Dealer Member requires a substantive approach and must include a review of the accounting system and the internal controls for safeguarding assets.

The review must:

(i) cover any in-house or service bureau electronic data processing operations, and

(ii) where applicable, consider and include the appropriate report based on the Canadian Standard on Assurance Engagements 3416, Reporting on Controls at a Service Organization.

(2) Although conducted in accordance with Canadian Auditing Standards, a Dealer Member’s substantive audit procedures must be performed as at the fiscal year-end audit date and not as of an earlier date.

(3) A Dealer Member’s risk adjusted capital and early warning reserve levels must be considered when determining materiality for the Dealer Member’s audit.

4176. Test procedures as at the fiscal year-end date

(1) The Dealer Member’s auditor must conduct the test procedures in sections 4177 through 4188 as at the fiscal year-end date, which is the fiscal year-end audit date.

4177. Account for all securities, currencies, and other like assets

(1) The Dealer Member’s auditor must account for all securities, currencies and other like assets, including those held in safekeeping or in segregation, on hand, in a vault, or otherwise in the Dealer Member’s physical possession.

(2) The Dealer Member’s auditor must physically examine all assets in the Dealer Member’s physical possession and compare them with the Dealer Member’s records.

(3) If a Dealer Member has employees who are independent of its employees who handle or record securities, those independent employees may conduct all or part of the count and examination under the supervision of the Dealer Member’s auditor.

(4) The Dealer Member’s auditor must test count and compare sufficient security counts with the independent employees’ counts, if applicable, and with the security position records, to be satisfied that the entire count was materially correct.

(5) The Dealer Member’s auditor must maintain control over the assets until the physical examination has been completed.

4178. Verify securities in transfer and in transit

(1) On a test basis, the Dealer Member’s auditor must verify securities in transfer and in transit between the Dealer Member’s offices.
4179. Review the Dealer Member’s position balancing and account reconciliations

(1) The Dealer Member’s auditor must review the Dealer Member’s:
   (i) balancing of all security and derivative positions,
   (ii) reconciliation of all broker, dealer, clearing account positions, and non-certificated instrument positions the Dealer Member holds (in its inventory and for clients) with the counterparty’s corresponding statements, and
   (iii) reconciliation to ensure that all necessary adjustments identified during the preparation have been made.

(2) If a position or account is not in balance according to the records (after adjusting to the physical count):
   (i) the Dealer Member’s auditor must find out whether the Dealer Member has adequately provided for any potential loss, and
   (ii) the Dealer Member must make that provision according to the Notes and Instructions for unresolved differences in Statement B of Form 1.

4180. Review bank reconciliations

(1) The Dealer Member’s auditor must:
   (i) obtain bank statements, cancelled cheques, and all other debit and credit memos directly from the Dealer Member’s banks which cover a period ending at least 10 business days after the fiscal year-end audit date,
   (ii) verify the accuracy of the reconciliations between the bank statements and the ledger control accounts as of the fiscal year-end audit date and on a test basis, using appropriate audit procedures, and
   (iii) verify that all necessary adjustments identified during the preparation of the reconciliation have been made.

4181. Review custodial agreements and approvals

(1) The Dealer Member’s auditor must:
   (i) ensure that all custodial agreements in the form prescribed by the Corporation, are in place for securities lodged with acceptable securities locations, and
   (ii) annually obtain evidence of a Dealer Member’s board of directors’ or authorized board committee’s approval of other foreign acceptable securities locations. These approvals must be documented in the meeting minutes.

4182. Obtain written positive confirmations

(1) The Dealer Member’s auditor must obtain written confirmation for all accounts and security positions.

(2) The Dealer Member’s auditor must obtain written positive confirmation of:
   (i) all bank balances and other deposits including hypothecated securities,
   (ii) all money, security positions, and derivative positions, including with clearing houses, similar organizations, and issuers of non-certificated instruments,
(iii) all money and securities loaned or borrowed (including subordinated debt) and details of collateral received or pledged, if any,
(iv) a sample of accounts of, or with, brokers or dealers representing regular, joint, and contractual commitment positions including money and security positions and derivative positions,
(v) all accounts of Directors and officers or partners, including money and security positions and derivative positions,
(vi) a sample of client, employee, and shareholder accounts, including money and security positions and derivative positions,
(vii) a sample of the guarantee and guarantor accounts, in cases where a margin reduction has been taken in the accounts for which the guarantee has been provided during the year or as at the end of the fiscal year,
(viii) statements from the Dealer Member’s lawyers as to the status of lawsuits and other legal matters pending which, if possible, should disclose an estimate of the extent of the liabilities, and
(ix) all other accounts which, in the opinion of the Dealer Member’s auditor, should be confirmed.

4183. Selection of accounts for positive confirmation

(1) For accounts in subsection 4182(2) the Dealer Member’s auditor:
   (i) must send a positive confirmation request,
   (ii) has the option to send a second positive confirmation request where a reply to the initial request sent in clause 4183(1)(i) has not been received, and
   (iii) must use appropriate alternative verification procedures, to obtain relevant and reliable audit evidence, where the second positive confirmation request in clause 4183(1)(ii) is not sent or where a reply to second positive confirmation request has not been received.

(2) For accounts in clauses 4182(2)(iv), 4182(2)(vi), and 4182(2)(vii), the Dealer Member’s auditor must:
   (i) select specific accounts for positive confirmation based on:
       (a) account size (all accounts with net equity exceeding a certain dollar value, based on the level of materiality), and
       (b) other characteristics such as accounts in dispute, accounts that are significantly under margined, nominee accounts, and accounts that would require significant margin during the year or as at the fiscal year-end without an effective guarantee,
   (ii) select a sufficiently representative sample from all other accounts to provide reasonable assurance that any material error will be detected, and
   (iii) send out negative confirmation requests for all remaining accounts that have not been selected for positive confirmation. The negative confirmation request must include instructions that any differences be reported directly to the auditor.
4184. Written confirmation of clients’ accounts with no balance

(1) The Dealer Member's auditor must, using positive or negative written confirmation procedures, confirm on a test basis client accounts with no balance and client accounts closed since the last fiscal year-end audit date. The Dealer Member’s auditor must consider the adequacy of the Dealer Member’s internal control system to decide the extent of these procedures.

4185. Effect on capital if no positive written confirmation received for a guarantee

(1) If the Dealer Member's auditor does not receive a reply to a positive confirmation request for accounts within a guarantee arrangement made under clause 4182(2)(vii), the guarantee agreement must not be accepted for margin reduction purposes for the accounts guaranteed until:

(i) the Dealer Member's auditor (or the Dealer Member, if after the Form 1 filing) receives positive written confirmation of the guarantee arrangement, or

(ii) the parties sign a new account guarantee agreement.

(2) If in response to a positive or negative confirmation request, a guarantor disputes the validity or extent of the guarantee, that guarantee must not be accepted for margin reduction purposes until:

(i) the dispute is resolved, and

(ii) the guarantor provides a confirmation of the account guarantee arrangement as set out in clause 4185(1)(i) or 4185(1)(ii).

4186. Review a sample of signed guarantee agreements

(1) The Dealer Member's auditor must review a sample of the Dealer Member’s guarantee agreements to ensure they are signed, completed, and comply with the minimum requirements set out in subsection 5825(1).

4187. Tests and procedures on statements and schedules of Form 1

(1) The additional information set out in Part II of Form 1 should be subjected to the procedures in the audit of Part I of Form 1, which are in accordance with Canadian Auditing Standards. No procedures are required to be carried out in addition to those necessary to form an opinion on Part I of Form 1.

4188. Test statements for a description of securities held in safekeeping

(1) The Dealer Member's auditor must check on a test basis whether the Dealer Member's security position record and client statements accurately describe securities held in safekeeping.

4189. Dealer Member obligations to auditor

(1) A Dealer Member must fully disclose all material facts and issues about its business and operations that relate to the fairness of the regulatory financial statements, in a representation letter from the Dealer Member’s appropriate Executives to the Dealer Member’s auditor.

(2) A Dealer Member must provide its auditor with unrestricted access to all of the Dealer Member’s records.
(3) A Dealer Member must not interfere with the audit process, nor conceal, withhold, or destroy any records reasonably required for the audit.

4190. Calculations for Form 1 and other reporting

(1) The Dealer Member’s auditor must perform the procedures identified in the “Report on Compliance for Insurance, Segregation of Securities, and Guarantee/Guarantor Relationships Relied Upon to Reduce Margin Requirement During the Year” in Form 1 and report on the results as at the fiscal year-end audit date.

4191. Auditor’s records

(1) The Dealer Member’s auditor must retain a final copy of Form 1 and all audit working papers for six years.

(2) All audit working papers for the two most recent years must be readily accessible.

(3) The Dealer Member’s auditor must make all working papers available for review by the Corporation and the Investor Protection Fund.

4192. Auditor’s obligation to report to the Corporation

(1) If during the regular conduct of an audit, the Dealer Member’s auditor observes any material breach of Corporation requirements related to:
   
   (i) calculating the Dealer Member’s financial position,
   
   (ii) handling and custody of securities, or
   
   (iii) maintaining adequate records,

   the Dealer Member’s auditor must report that breach to the Corporation.

(2) The Dealer Member’s auditor must report on any subsequent events, to date of filing, which have had material adverse effect on the Dealer Member’s risk adjusted capital level.

4193. - 4199. Reserved.
4201. Introduction

(1) Rule 4200 sets out the following Dealer Member general financial requirements:

Part A - Financial disclosure to clients
[sections 4202 through 4209]

Part B - General internal control requirements
[sections 4220 through 4225]

Part C - Pricing internal control requirements
[sections 4240 through 4244]

Part D - Calculation of prices on a yield basis
[sections 4260 through 4267]

Part E - Professional opinions
[sections 4270 through 4276]

PART A - FINANCIAL DISCLOSURE TO CLIENTS

4202. Introduction

(1) If a client so requests, a Dealer Member must disclose its financial position to the client to enable them to assess the Dealer Member’s financial position. Part A of Rule 4200 sets out the requirements that a Dealer Member must comply with in order to present this information to the client in a complete and consistent manner.

4203. Summary statement of financial position available

(1) A Dealer Member must provide a summary statement of its financial position, when requested, to any client who has traded in his or her account with the Dealer Member within the past 12 months.

(2) The summary statement of financial position must be as at the Dealer Member’s latest fiscal year-end date and based on its latest annual audited financial statements.

(3) A Dealer Member must prepare the summary statement of financial position within 75 days of its fiscal year-end.

4204. Summary statement of financial position - contents

(1) A Dealer Member’s summary statement of financial position must contain material information including details of the Dealer Member’s assets, liabilities and financial statement capital, and be generated using the Securities Industry Regulatory Financial Filings system.

4205. Audited or unaudited summary statement of financial position

(1) The summary statement of financial position must either be:

   (i) audited and accompanied by:
Corporation Investment Dealer and Partially Consolidated Rules

(a) a report prepared by the Dealer Member’s auditor stating that it fairly summarizes the financial position of the Dealer Member, and

(b) notes disclosures specified by the Dealer Member’s auditor,

or

(ii) unaudited and:

(a) generated from within the Securities Industry Regulatory Financial Filings system using information from the most recent audited Form 1 of the Dealer Member,

(b) certified by the Dealer Member’s Chief Financial Officer, and

(c) accompanied by note disclosures that at a minimum describe, management’s responsibility for the summary statement of financial position, and the basis of accounting and restriction on the use of the summary statement of financial position.

4206. Publishing a summary statement of financial position

(1) If a Dealer Member publishes or circulates a summary statement of financial position in any document, it must:

(i) be in the same form, and

(ii) contain the same information,

as the statement made available to the Dealer Member’s clients.

4207. List of current Executives and Directors

(1) A Dealer Member must provide a current list of its Executives and Directors, when requested, to any client who has traded in his or her account with the Dealer Member within the past 12 months.

4208. Disclosures available to clients

(1) A Dealer Member must state on each account statement sent to clients, or in another manner the Corporation approves, that:

(i) its summary statement of financial position, and

(ii) list of Executives and Directors,

are available on request to any client who has traded in his or her account within the previous 12 months.

4209. Consolidated financial statements ‐ similar named entity

(1) A Dealer Member must disclose its financial statements separately from those of any affiliate or holding company with a similar name.

(2) If a Dealer Member’s accounts are included in the consolidated financial statements of its holding company or affiliate with a name similar to the Dealer Member’s, and those consolidated financial statements are published or circulated in any document or other medium, then either:

(i) the consolidated financial statements must include a note indicating that:

(a) they relate to an entity that is not the Dealer Member, and

(b) although the statements include the Dealer Member’s accounts, they are not the Dealer Member’s financial statements,
or

(ii) at the time of publication or circulation, the Dealer Member must send to each client who has traded in his or her account within 12 months of the date of publication:

(a) its unconsolidated summary statement of financial position, and

(b) a letter explaining why the statement is being sent.

4210. - 4219. Reserved.

PART B - GENERAL INTERNAL CONTROL REQUIREMENTS

4220. Introduction

(1) Part B of Rule 4200 sets out Corporation requirements for a Dealer Member’s internal controls and risk management infrastructure. Effective internal controls will assist a Dealer Member not only in complying with Corporation requirements and securities laws but also in conducting its business with integrity and due regard to the interests of its clients.

4221. Definitions

(1) The following terms have the meaning set out below when used in Part B of Rule 4200:

| “detective controls” | Controls that discover, or increase the chances of finding, fraud or error, so the Dealer Member can take prompt corrective action. |
| “preventive controls” | Controls that prevent, or minimize the chances of, fraud and error. |

4222. Adequate internal controls

(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.

4223. Preventive controls

(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.

4224. Written record

(1) A Dealer Member 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 Corporation requirements relating to internal controls.

4225. Review and written approval of internal controls

(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 Corporation requirements. They must approve a Dealer Member’s internal controls in writing after each review.
PART C - PRICING INTERNAL CONTROL REQUIREMENTS

4240. Introduction
   (1) Part C of Rule 4200 sets internal control requirements so that a Dealer Member can ensure that securities are valued using prices from objective and verifiable sources, and independent management oversight exists to ensure reasonability of prices used.

4241. Pricing procedures
   (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 Corporation 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:
       (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.

4242. Independent price verification and adjustment
   (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).
   (3) An appropriate Executive must:
       (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. Where appropriateness is identified as a material concern, the pricing sources used must be changed.

4243. Retention of supporting documents
   (1) A Dealer Member must retain supporting documents to show that it has verified securities pricing and made appropriate adjustments.
PART D - CALCULATION OF PRICES ON A YIELD BASIS

4260. Introduction
   (1) Part D of Rule 4200 describes how to calculate a security price based on a security’s current market yield.

4261. Definitions
   (1) The following term has the meaning set out below when used in Part D Rule 4200:

   | “regular delivery date” | The settlement or delivery dates generally accepted in industry practice for a security in the market where the transaction occurs. |

4262. Calculating price if no method is stated for calculating unexpired term
   (1) When a Dealer Member quotes a bid or offer based on yield, and neither the buyer nor seller Dealer Member states a price or a method for calculating the unexpired term, the price must be established according to sections 4264 through 4267.

4263. Exceptions
   (1) Sections 4264 through 4267 do not apply to trades in:
        (i) Government of Canada bonds and bonds guaranteed by the Government of Canada,
        (ii) Short-term bonds that have:
             (a) an unexpired term to maturity of six months or less,
             (b) an unexpired term‐to‐call date of six months or less and selling at, or at a premium over, the call price, or
             (c) been called for redemption,
        (iii) bonds callable on future dates at varying prices, and
        (iv) bonds callable at the issuer’s option if the call date is not stated and the bonds are selling at a premium over call price.

4264. Unexpired term - Bonds with unexpired terms to maturity up to and including 10 years
   (1) For a bond with an unexpired term to maturity up to and including 10 years, calculate the unexpired term as the exact period in years, months, and days from the regular delivery date:
        (i) to the maturity date of a non‐callable bond or callable bond selling at less than the call price, and
        (ii) to the first redemption date of a callable bond selling at, or at a premium over, the call price.
4265. Unexpired term - Bonds with unexpired terms to maturity over 10 years

(1) For a bond with an unexpired term to maturity of over 10 years, calculate the unexpired term as the period in years and months from the month in which the **regular delivery date** occurs:

(i) to the month and year of maturity of a non-callable bond or callable bond selling at less than the call price, and

(ii) to the first month and year that the bond is redeemable for a callable bond selling at, or at a premium over, the call price.

4266. Calculating the price and price precision

(1) In calculating the price, the unexpired term must be expressed as years. To express the unexpired term in years:

(i) one day shall be deemed to be $1/30^{th}$ of one month, and

(ii) one month shall be deemed to be $1/12^{th}$ of one year.

(2) For all bond transactions between **Dealer Members** and its clients where the price has been determined using the calculation approach set out in either section 4264 or 4265, the price must be extended to three decimal places of precision.

4267. New issues

(1) Part D of Rule 4200 applies to new issues. The unexpired term to maturity is to start on the date that accrued interest, which is charged to the client, is calculated up to.

4268. - 4269. Reserved.

**PART E - PROFESSIONAL OPINIONS**

4270. Introduction

(1) Part E of Rule 4200 sets requirements relating to **professional opinion** (defined in section 4271) standards.

4271. Definitions

(1) The following terms have the meanings set out below when used in Part E of Rule 4200:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Corporation standards&quot;</td>
<td>The disclosure standards in Part E of Rule 4200.</td>
</tr>
<tr>
<td>&quot;disclosure document&quot;</td>
<td>The same meaning as used in relevant <strong>securities laws</strong>.</td>
</tr>
<tr>
<td>&quot;fairness opinion&quot;</td>
<td>A report of a <strong>valuer</strong> that contains the <strong>valuer's</strong> opinion as to the fairness, from a financial point of view, of a transaction.</td>
</tr>
<tr>
<td>&quot;formal valuation&quot;</td>
<td>A report of a <strong>valuer</strong> that contains the <strong>valuer`s</strong> opinion as to the value or range of values of the subject matter of the valuation.</td>
</tr>
<tr>
<td>“interested party”</td>
<td>The same meaning as used in relevant <strong>securities laws</strong>.</td>
</tr>
<tr>
<td>“prior valuation”</td>
<td>The same meaning as used in relevant <strong>securities laws</strong>.</td>
</tr>
<tr>
<td>&quot;professional opinion&quot;</td>
<td>A <strong>formal valuation</strong> or a <strong>fairness opinion</strong>.</td>
</tr>
<tr>
<td>&quot;subject transaction&quot;</td>
<td>Transactions including an insider bid, issuer bid, business combinations, or related party transaction as defined in relevant <strong>securities laws</strong>.</td>
</tr>
<tr>
<td>&quot;valuer&quot;</td>
<td>The person who provides a <strong>professional opinion</strong>.</td>
</tr>
</tbody>
</table>
4272. Application

(1) The Corporation standards apply only to professional opinions that are prepared either:
   (i) pursuant to a requirement of relevant securities laws, or
   (ii) for the express purpose of publication in a disclosure document to be filed with any
        Canadian securities regulatory authority or delivered to security holders in connection with
        their consideration of the subject transaction.

(2) The Corporation standards do not apply to professional opinions that are either:
   (i) rendered in connection with transactions other than the subject transactions, whether or
       not they are reproduced or summarized in a disclosure document, or
   (ii) reproduced or summarized in a disclosure document in compliance with relevant securities
        laws for the disclosure of prior valuations in respect of an issuer.

4273. General requirement

(1) A Dealer Member’s professional opinion in connection with a subject transaction must comply
    with the Corporation standards.

(2) A Dealer Member’s compliance with the Corporation standards:
   (i) must not substitute the professional judgment and responsibility of the valuer,
   (ii) will not be considered compliant if it is not exercised along with professional judgment and
        responsibility regarding disclosure in a professional opinion, and
   (iii) may not be appropriate if its strict compliance is not justified using professional judgment
        and responsibility.

4274. General disclosure

(1) Professional opinions prepared in connection with the subject transactions must provide
    disclosure that:
    (i) enables the directors and security holders of the particular issuer to understand the
        principal judgments and principal underlying reasoning of the valuer in its professional
        opinion, and
    (ii) form a reasoned view on the valuation conclusion or the opinion as to fairness expressed
        therein.

(2) In reaching a valuation or fairness conclusion, a Dealer Member must consider certain information
    such as, valuation approach, definition of value, key assumptions. That information is described in
    Part E of Rule 4200 and may be important and required to be disclosed in a professional opinion.

(3) If the Dealer Member receives any expressions of concerns relating to its proposed disclosure in a
    professional opinion that contain competitively or commercially sensitive information regarding an
    interested party or issuer:
    (i) The Dealer Member may seek a decision of the special committee of the issuer’s
        independent directors as to whether the perceived detriment to an interested party
        outweighs the benefit of disclosure of such information to the readers of the professional
        opinion.
(ii) Compliance of the Dealer Member with any such decision of a special committee will constitute compliance with the Corporation standards in respect of the matters that are the subject of the decision.

4275. Disclosure - formal valuations

(1) A professional opinion that is a formal valuation prepared by a Dealer Member must disclose the following information:

(i) the identity and credentials of the Dealer Member, including:
   (a) the general experience of the Dealer Member in valuing other businesses in the same or similar industries as the business or issuer in question or similar transactions to the subject transaction,
   (b) the Dealer Member’s understanding of the specific marketable securities involved in the subject transaction, and
   (c) the internal procedures followed by the Dealer Member to ensure the quality of the professional opinion,

(ii) the date the valuer was first contacted in respect of the subject transaction and the date that the valuer was retained,

(iii) the financial terms of the valuer's retainer,

(iv) a description of any past, present or anticipated relationship between the valuer and any interested party or the issuer which may be relevant to the valuer’s independence for purposes of relevant securities laws,

(v) the subject matter of the formal valuation,

(vi) the effective date of the formal valuation,

(vii) a description of any specific adjustments that have been made in the valuer's conclusions by reason of an event or occurrence after the effective date,

(viii) the scope and purpose of the formal valuation, including the following statement:

   "This formal valuation has been prepared in accordance with the disclosure standards for formal valuations and fairness opinions of [Name of Corporation] but [Name of Corporation] has not been involved in the preparation or review of this formal valuation",

(ix) a description of the scope of the review conducted by the valuer, including a summary of the type of information reviewed and relied upon (such as the documents reviewed, individuals interviewed, facilities visited, other expert reports considered and management representations concerning information requested and furnished to the valuer),

(x) a description of any limitation on the scope of review and the implications of such limitation on the valuer’s conclusions,

(xi) a description of the business, assets or securities being valued sufficient to allow the reader to understand the valuation rationale and approach and the various factors influencing value that were considered,

(xii) definitions of the terms of value used in the formal valuation including but not limited to "fair market value", "market value" and "cash equivalent value",

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the valuation approach and methodologies considered, including:
(a) the rationale for valuing the business as a going concern or on a liquidation basis,
(b) the reasons for selecting a particular valuation methodology, and
(c) a summary of the key factors considered in selecting the valuation approach and methodologies considered,

the key assumptions made by the valuer,

any distinctive material value that the valuer has determined might accrue to an interested party, whether this value is included in the value or range of values arrived at for the subject matter of the formal valuation and the reasons for its inclusion or exclusion,

the following discussions or explanations:
(a) a discussion of any prior bona fide offers or prior valuations or other material expert reports considered by the valuer pertaining to the subject matter of the transaction, or
(b) if the formal valuation differs materially from any such prior valuation, an explanation of the material differences where reasonably practicable to do so based on the information contained in the prior valuation or, if it is not reasonably practicable to do so, the reasons why it is not reasonably practicable to do so,

and

the valuation conclusions reached and any qualifications or limitations to which such conclusions are subject.

(2) A professional opinion that is a formal valuation prepared by a Dealer Member in connection with a subject transaction must disclose the following:

(i) Annual financial information
Unless otherwise disclosed through the Canadian continuous disclosure obligations of the issuer or in a disclosure document published in connection with the transaction to which the professional opinion applies:
(a) The professional opinion must disclose a summary of selected material financial information derived from the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity for the most recently completed fiscal year as well as from the statement of financial position, statement of profit or loss and other comprehensive income and statement of changes in financial position for the immediately preceding fiscal year.

(ii) Interim financial information
Unless otherwise disclosed through the Canadian continuous disclosure obligations of the issuer or in a disclosure document published in connection with the transaction to which the professional opinion applies:
(a) The professional opinion must disclose a summary of selected material financial information derived from the most recent interim statement of financial position (if any), statement of profit or loss and other comprehensive income and statement of changes in equity for the current fiscal year and the comparable statements for the same interim period of the immediately preceding fiscal year.
(iii) Discussion of historical financial statements or financial position
(a) The *professional opinion* must include comments on material items or changes in the issuer’s financial statements together with appropriate commentary on items which may have particular relevance to the *professional opinion* including but not limited to unusual capital structures, unrecognized tax-loss carry forwards and redundant assets.

(iv) Future oriented financial information
(a) To the extent that the *valuer* has relied upon future-oriented financial information, the *valuer* must disclose the future-oriented financial information, at least in summary form, unless otherwise determined by a decision of the special committee referred to in section 4274.
(b) To the extent that the future-oriented financial information relied upon by the *valuer* varies materially from the future-oriented financial information provided to the *valuer* by the issuer or the interested party, the *valuer* must disclose the nature and extent of such differences and the rationale of the *valuer* supporting its judgments.

(v) Future oriented financial information assumptions
(a) To the extent that future-oriented financial information is relied upon (whether or not the future-oriented financial information itself is disclosed), key financial assumptions (such as sales, growth rates, operating profit margins, major expense items, interest rates, tax rates, depreciation rates), together with a brief statement supporting the rationale for each specific assumption, must also be disclosed, unless otherwise determined by a decision of the special committee referred to in section 4274.

(vi) Economic assumptions
(a) Any key economic assumptions having a material impact on the *professional opinion* must be disclosed, noting the authoritative source used by the *valuer*, including interest rates, exchange rates and general economic prospects in the relevant markets.

(vii) Valuation approach, methodologies and analysis
The *professional opinion* must set out:
(a) the valuation approach and methodologies adopted by the *valuer*,
(b) together with the principal judgments made in selecting a particular approach or methodology,
(c) a comparison of valuation calculations and conclusions arrived at through the different methods considered and the relative importance of each methodology in arriving at the overall valuation conclusion, and
(d) the information in clauses 4275(2)(viii) through 4275(2)(xii), if relevant for the valuation techniques used.

(viii) Discounted cash flow approach
(a) The *professional opinion* must include a discussion of all relevant qualitative and quantitative judgments used to calculate discount rates, multiples and capitalization rates.
(b) If the capital asset pricing model is used, disclosure must include the basis for determining the discount rate including the risk free rate, market risk premium, beta, tax rates and debt to equity capital structure assumed.

(c) The *valuer* must also disclose the basis for the determination of the terminal/residual value together with the underlying assumptions made.

(d) The source of the financial data which formed the basis of the discounted cash flow analysis, summary of major assumptions (if not already disclosed) and the details and sources of any economic statistics, commodity prices and market forecasts used in the valuation approach must also be disclosed.

(e) In addition, a summary of the sensitivity variables considered and the general results of the application of such sensitivity analysis must be disclosed along with an explanation of how such sensitivity analysis was used in the determination of the range of valuation estimates resulting from the discounted cash flow approach.

(f) Where the nature of the future-oriented financial information and the subject matter of the valuation make it reasonably practicable and meaningful to do so, selected quantitative sensitivity analyses performed by the *valuer* must be disclosed to illustrate the effects of variations in the key assumptions on the valuation results.

(g) In determining whether quantitative sensitivity analyses would be meaningful to the reader of the *professional opinion*, the *valuer* must consider whether such analyses adequately reflects the *valuer*’s judgment concerning the inter-relationship of the key underlying assumptions.

(ix) Asset based valuation approach

(a) The *professional opinion* must separately disclose the values of each significant asset and liability including off-statement of financial position items (unless otherwise determined by a decision of the special committee referred to in section 4274).

(b) If a liquidation based valuation approach has been utilized, the *professional opinion* must set out the liquidation values for each significant asset and liability together with summary estimates for significant liquidation costs.

(x) Comparable transaction approach

(a) The *professional opinion* must disclose (preferably in tabular form) a list of relevant transactions involving businesses the *valuer* considers similar or comparable to the business being valued.

(b) Adequate disclosure must include the date of the transaction, a brief descriptive note, and relevant multiples implicit in the transaction which may include: earnings before interest and taxes multiples; earnings before interest, taxes, depreciation and amortization multiples; earnings multiples; cash flow multiples; and book value multiples; and take-over premium percentages.

(c) In the body of the *professional opinion* there must be a discussion of such transactions together with an explanation as to how such transactions were used by the *valuer* in arriving at a valuation conclusion with regard to the comparable transaction approach.

(xi) Comparable trading approach
(a) The *professional opinion* must disclose (preferably in tabular form) a list of relevant publicly traded companies the *valuer* considers similar or comparable to the business being valued.

(b) Adequate disclosure must include the date of the market data, the relevant fiscal periods for the comparable company, a brief descriptive note regarding the comparable company and relevant multiples implicit in the trading data which may include: earnings before interest and taxes multiples; earnings before interest, taxes depreciation and amortization multiples; earnings multiples, cash flow multiples; and book value multiples.

(c) In the body of the *professional opinion* there must be a discussion as to the comparability of such companies, together with an explanation as to how such data was used by the *valuer* in arriving at a valuation conclusion with regard to the comparable trading approach.

(xii) Valuation conclusions

(a) The *valuer* must develop a final valuation range by using a single valuation methodology or some combination of value conclusions determined under different methodologies/approaches.

(b) The *professional opinion* must include a comparison of the valuation ranges developed under each methodology and a discussion of the reasoning in support of the *valuer’s final conclusion*.

### 4276. Disclosure - fairness opinion

(1) A *professional opinion* that is a *fairness opinion* prepared by a *Dealer Member* must disclose the following information:

(i) the identity and credentials of the *Dealer Member*, including:

   (a) the general experience of the *Dealer Member* in providing *fairness opinions* in connection with transactions similar to the *subject transaction*,

   (b) the *Dealer Member’s* understanding of the specific marketable securities involved in the *subject transaction*, and

   (c) the internal procedures followed by the *Dealer Member* to ensure the quality of the *professional opinion*,

(ii) the date the *Dealer Member* was first contacted in respect of the *subject transaction* and the date that the firm was retained,

(iii) the financial terms of the *Dealer Member’s* retainer,

(iv) a description of any past, present or anticipated relationship between the *Dealer Member* and any *interested party* which may be relevant to the *Dealer Member’s* independence for purposes of providing the *fairness opinion*,

(v) the scope and purpose of the *fairness opinion*, including the following statement:

   "This fairness opinion has been prepared in accordance with the disclosure standards for formal valuations and fairness opinions of [Amalco] but [Amalco] has not been involved in the preparation or review of this fairness opinion."

(vi) the effective date of the *fairness opinion*,
(vii) a description of the scope of the review conducted by the Dealer Member, including a summary of the type of information reviewed and relied upon (such as the documents reviewed, individuals interviewed, facilities visited, other expert reports considered and management representations concerning information requested and furnished to the Dealer Member),

(viii) a description of any limitation on the scope of review and the implications of such limitation on the Dealer Member's opinion or conclusion,

(ix) a description of the relevant business, assets or securities sufficient to allow the reader to understand the rationale of the fairness opinion and the approach and various factors influencing financial fairness that were considered,

(x) a description of the valuation or appraisal work performed or relied upon in support of the Dealer Member's opinion or conclusion,

(xi) a discussion of any prior bona fide offer or prior valuation or other material expert report considered by the Dealer Member in coming to the opinion or conclusion contained in the fairness opinion,

(xii) the key assumptions made by the Dealer Member,

(xiii) the factors the Dealer Member considered important in performing its fairness analysis,

(xiv) the statement of opinion or conclusion as to the fairness, from a financial point of view, of the subject transaction and the supporting reasons, and

(xv) any qualifications or limitations to which the opinion or conclusion is subject.

(2) A professional opinion that is a fairness opinion prepared by a Dealer Member in connection with a subject transaction must include the following:

(i) a fairness opinion must include:

(a) a general description of any valuation analysis performed by the opinion provider, or

(b) specific disclosure of a valuation opinion of another valuer which is being relied upon,

(ii) the fairness opinion provider is not required to reach or disclose specific conclusions as to a valuation range or ranges in a fairness opinion,

(iii) the conclusion section of the fairness opinion must include specific reasons for the conclusion that the subject transaction is fair or not fair to security holders, from a financial point of view, and

(iv) support for each of these specific reasons described in clause 4276(2)(iii) must be contained in the body of the professional opinion in sufficient detail to allow the reader of the opinion to understand the principal judgments and principal underlying reasoning of the opinion provider in reaching its opinion as to the fairness of the transaction.

4277. - 4299. Reserved.
RULE 4300 | PROTECTION OF CLIENT ASSETS – SEGREGATION, CUSTODY AND CLIENT FREE CREDIT BALANCES

4301. Introduction

   (1) Rule 4300 sets out the following Dealer Member requirements relating to the protection of client assets:
       Part A - Segregation and related internal control requirements:
         Part A.1 - General segregation requirements
         [sections 4311 through 4314]
         Part A.2 - Bulk segregation calculation
         [sections 4315 through 4319]
         Part A.3 - Security usage restrictions and correcting segregation deficiencies
         [sections 4320 through 4326]
         Part A.4 - Minimum segregation policies and procedures
         [sections 4327 through 4332]
       Part B - Custody and related internal control requirements:
         Part B.1 - General custody requirements
         [sections 4340 through 4343]
         Part B.2 - Acceptable securities locations
         [sections 4344 through 4352]
         Part B.3 - Written custodial agreement requirement
         [sections 4353 and 4354]
         Part B.4 - Confirmation and reconciliation requirements
         [sections 4355 through 4361]
         Part B.5 - Margin requirements
         [sections 4362 through 4368]
       Part C - Client free credit balance requirements
         [sections 4380 through 4386]

4302. - 4309. Reserved.

PART A - SEGREGATION AND RELATED INTERNAL CONTROL REQUIREMENTS

4310. Definitions

   (1) The following terms have the meaning set out below when used in Part A of Rule 4300:

   | “bulk segregation” | Securities in segregation for a Dealer Member’s clients that are not reserved for particular clients. |
   | “net loan value”    | Of a security means: (i) for a long position, the market value of the security less any margin required, |
PART A.1 - GENERAL SEGREGATION REQUIREMENTS

4311. Introduction

(1) The general segregation requirements set out the requirements for a Dealer Member to segregate client fully paid and excess margin securities.

4312. Fully paid and excess margin securities

(1) A Dealer Member holding fully paid or excess margin securities for a client must:
   (i) segregate those securities, and
   (ii) identify those securities as being held in trust for that client.

(2) A Dealer Member must not use securities held in segregation for its own purposes except with the express written approval of its client under the terms of a cash and securities loan agreement as detailed in section 5840.

(3) The Corporation may prescribe how segregated securities are held, and how the amount or value of securities to be segregated must be calculated.

4313. Restricted and non-negotiable securities

(1) Securities that are restricted, non-negotiable, or that cannot be made fully negotiable solely by signature or guarantee of the Dealer Member are deemed not to be segregated, unless such securities are registered in the name of the client (or name of a person required by the client) on whose behalf they are being held in an acceptable segregation location.

4314. Segregation of client securities

(1) A Dealer Member holding segregated securities must:
   (i) segregate those securities in bulk in accordance with sections 4315 through 4319, or
   (ii) segregate specific securities for each client.

(2) A Dealer Member must not segregate in bulk client securities that are subject to a written safekeeping agreement.
PART A.2 - BULK SEGREGATION CALCULATION

4315. Steps for bulk segregation calculation

(1) A Dealer Member that segregates securities in bulk must, in accordance with sections 4316 through 4319:
   (i) determine the net loan value and market value of securities held in a client’s account,
   (ii) calculate the number of segregated securities to be segregated in bulk,
   (iii) determine the securities to use to satisfy segregation requirements, and
   (iv) perform regular calculations and compliance reviews.

4316. Net loan value and market value of securities in a client’s account

(1) A Dealer Member holding segregated securities in bulk segregation must determine for all securities held for all accounts of each client:
   (i) the number of securities that are part of a qualifying hedge position,
   (ii) the net loan value of securities (excluding securities that are part of a qualifying hedge position) less the aggregate debit cash balance in accounts (or plus in the case of a credit), and
   (iii) the market value of securities (excluding securities that are part of a qualifying hedge position) not eligible for margin less the aggregate amount, if any, by which those accounts are under margined as calculated in clause 4316(1)(ii).

(2) A Dealer Member must segregate the net loan value of securities calculated in clause 4316(1)(ii) and the market value of securities calculated in clause 4316(1)(iii) for each client account.

(3) A Dealer Member is not required to segregate an amount of securities greater than the market value of the securities held for those accounts.

4317. Calculating the number of client securities to be segregated in bulk

(1) A Dealer Member that chooses to satisfy its segregation obligations under section 4312 by segregating in bulk must segregate in bulk for all its clients the number of securities calculated as follows:
   (i) Equities

   | Number of securities required to be segregated | \((\text{aggregate loan value or market value of a class or series of security required to be segregated for each client in section 4316}) \div (\text{loan value or market value of one unit of the security})\) |
   --- | --- |

   (ii) Debt securities

   | Principal amount of securities required to be segregated | \((\text{aggregate loan value or market value of a class or series of security required to be segregated for each client in section 4316}) \div (\text{loan value or market value of each $100 principal amount of the security})\) x 100, rounded to lowest issuable denomination |
4318. Determining securities to comply with segregation requirements

(1) A Dealer Member may choose any securities from a client’s accounts to satisfy the segregation requirements for that client’s positions, subject to the restrictions of applicable securities laws including, without limitation, a requirement that fully paid securities in a cash account be segregated before unpaid securities.

(2) A Dealer Member that sells securities required to be segregated for a client must keep them segregated until one business day prior to settlement or value date.

(3) Securities required to be segregated for a client must not be removed from segregation as a result of the purchase of any securities by that client until settlement or value date.

4319. Frequency and review of bulk segregation calculation

(1) At least twice weekly, a Dealer Member must determine the securities required to be segregated according to the calculations in Part A.2 of Rule 4300.

(2) A Dealer Member must conduct a daily review of securities segregated for clients to identify any deficiencies that exist between the actual amounts segregated and the amounts, determined in accordance with subsection 4319(1), that are required to be segregated. Where a deficiency exists, the Dealer Member must correct it in accordance with the requirements of sections 4320 through 4326.

PART A.3 - SECURITY USAGE RESTRICTIONS AND CORRECTING SEGREGATION DEFICIENCIES

4320. General restrictions

(1) A Dealer Member must:
   (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.

4321. Correcting segregation deficiencies

(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.

4322. Call loan segregation deficiency

(1) A Dealer Member that determines it has a call loan segregation deficiency must recall the securities within the business day following the day it determines the deficiency exists.

4323. Securities loan segregation deficiency

(1) A Dealer Member that determines it has a securities loan segregation deficiency must:
   (i) recall the securities from the borrower, or
   (ii) borrow the same issue of securities to cover the deficiency, within the business day following the day it determines the deficiency exists.
(2) If the Dealer Member has not received the securities within five business days following the day it determines the deficiency exists, it must undertake to buy-in the securities.

4324. Inventory or trading account short position segregation deficiency

(1) A Dealer Member that determines it has an inventory or trading account short position segregation deficiency must:
   (i) borrow the same issue of securities to cover the deficiency within the business day following the day it determines the deficiency exists, or
   (ii) undertake to purchase the same issue of securities immediately.

4325. Client declared short sales segregation deficiency

(1) A Dealer Member that determines it has a client declared short sale segregation deficiency must:
   (i) borrow the same issue of securities to cover the deficiency within the business day following the day it determines the deficiency exists, or
   (ii) undertake to buy-in the same issue of securities within five business days following the day it determines the deficiency exists.

4326. Fails – client or other Dealer Members

(1) If a Dealer Member has failed to receive securities within 15 business days of settlement date from a client or another Dealer Member, the Dealer Member must:
   (i) borrow the same issue of securities to cover the deficiency, or
   (ii) undertake to buy-in the securities.

PART A.4 - MINIMUM SEGREGATION POLICIES AND PROCEDURES

4327. General

(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.

4328. Records of segregated securities

(1) Segregated securities must be described as being held in segregation on a Dealer Member’s security position record (or related records) and client ledger and statement of account. This description must be in substance a fair representation of how the securities are being held in segregation at the custodian and therefore, the security box locations of the Dealer Member must have a direct mapping (or relationship) to custody accounts set up at the custodian on behalf of the Dealer Member.

4329. Twice-weekly report of items requiring segregation

(1) A Dealer Member must produce a segregation report at least twice weekly.

4330. Reporting segregation deficiency

(1) A Dealer Member must set reasonable guidelines so that any material segregation deficiency is reported promptly to the Dealer Member’s appropriate Executives.
4331. Authorized employees to move securities
(1) A Dealer Member must limit who can move segregated securities into or out of segregation to only authorized employees.

4332. Daily supervisory review of segregation report
(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 that provide reasonable assurance the segregation report is complete and accurate.

4333. - 4339. Reserved.

PART B - CUSTODY AND RELATED INTERNAL CONTROL REQUIREMENTS

PART B.1 - GENERAL CUSTODY REQUIREMENTS

4340. Introduction
(1) A Dealer Member takes on certain operational risks when it has custody of securities. These risks arise in connection with the location where and by whom the securities are held and whether a Dealer Member has adequate internal controls to deal with these risks. Part B of Rule 4300 prescribes Corporation requirements for managing the risks related to securities custody. As these risks are quantifiable, they are treated as margin charges when calculating Dealer Member risk adjusted capital. This Part B of Rule 4300, in conjunction with Form 1, prescribes these charges.

4341. Definitions
(1) The following terms have the meaning set out below when used in Part B of Rule 4300:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>“external acceptable securities location”</td>
<td>An acceptable securities location for securities that are not under a Dealer Member’s physical possession but which are under a Dealer Member’s control.</td>
</tr>
<tr>
<td>“internal acceptable securities location”</td>
<td>An acceptable securities location for securities that are in a Dealer Member’s physical possession or physical control. Internal acceptable securities locations include acceptable transfer locations.</td>
</tr>
<tr>
<td>“set-off risk”</td>
<td>The risk exposure resulting when a Dealer Member has other transactions, balances or positions with a custodian, and the resulting balances could be set off against the value of the securities held by the custodian.</td>
</tr>
</tbody>
</table>

4342. Hold securities in an acceptable securities location
(1) A Dealer Member must hold securities, including book-based securities, in an acceptable securities location as prescribed in Rule 4300 and Form 1. Acceptable securities locations can either be internal acceptable securities locations, which include acceptable transfer locations; or external acceptable securities locations, which in Form 1 are simply referred to as “acceptable securities locations”.

4343. Timely deposit
(1) A Dealer Member must deposit securities requiring segregation in an acceptable securities location on a timely basis.
PART B.2 - ACCEPTABLE SECURITIES LOCATIONS

4344. Acceptable internal storage location

(1) Securities in a Dealer Member’s physical possession must be held in an internal storage location that meets the requirements in section 4345, in order for the internal storage location to be an internal acceptable securities location.

4345. Acceptable internal storage location requirements

(1) A Dealer Member’s internal storage location must:
   (i) be subject to ongoing adequate internal controls and systems for safeguarding securities, and
   (ii) hold all unencumbered security positions in the physical possession of the Dealer Member.

4346. Acceptable transfer locations

(1) Securities in transfer must be in the possession of a registered or recognized transfer agent and a Dealer Member must comply with the applicable confirmation requirements in sections 4356 through 4360, in order for the transfer location to be an acceptable transfer location.

4347. Securities not under a Dealer Member’s physical possession

(1) Securities not under a Dealer Member’s physical possession but which are under a Dealer Member’s control must be held in an external acceptable securities location or the Dealer Member must comply with the client waiver requirements in section 4352.

4348. Entities that may be external acceptable securities locations

(1) Entities that may be external acceptable securities locations must comply with the Corporation’s requirements prescribed in Rule 4300 and in Form 1. In Form 1, the entities that may qualify as “acceptable securities locations” are grouped into eight categories: depositories and clearing agencies, acceptable institutions and subsidiaries of acceptable institutions, acceptable counterparties, banks and trust companies, mutual funds or their agents, regulated entities, foreign institutions and foreign securities dealers, and entities considered suitable to hold London Bullion Market Association gold and silver good delivery bars.

4349. Approval of foreign institutions and foreign securities dealers

(1) To obtain the Corporation’s approval of a foreign institution or foreign securities dealer as an acceptable securities location, a Dealer Member must:
   (i) perform due diligence,
   (ii) approve the foreign institution or securities dealer as an external acceptable securities location, and
   (iii) complete a certificate in the form prescribed by the Corporation evidencing its due diligence and approval.

4350. Application to the Corporation for approval of foreign institutions and foreign securities dealers

(1) A Dealer Member must apply in writing to the Corporation for review and approval of a foreign institution or foreign securities dealer as an acceptable securities location.
(2) Prior to submission to the Corporation the application must be approved by the Dealer Member’s board of directors or by a committee of the Dealer Member’s board of directors.

(3) The application to the Corporation must include the following:

<table>
<thead>
<tr>
<th>Document</th>
<th>Contents</th>
<th>Form (if Corporation prescribed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Foreign custodian certificate</td>
<td>1. Dealer Member responses to custodian due diligence questions 2. Dealer Member certification of approval of foreign custodian as a location for holding securities</td>
<td>In a form satisfactory to the Corporation</td>
</tr>
<tr>
<td>2. Latest audited financial statements of proposed foreign custodian</td>
<td>Must evidence minimum net worth of C$150 million</td>
<td></td>
</tr>
</tbody>
</table>

4351. Annual approval of foreign institutions and foreign securities dealers as acceptable securities locations

(1) For a foreign institution or foreign securities dealer to continue to be an acceptable securities location, the Dealer Member’s board of directors or a committee of the Dealer Member’s board of directors must annually:
   (i) approve in writing the foreign institution or foreign securities dealer, and
   (ii) complete and sign a foreign custodian certificate for the foreign institution or foreign securities dealer.

(2) The Dealer Member must file the foreign custodian certificate with the Corporation.

(3) The annual approval by the Dealer Member’s board of directors or a committee of the Dealer Member’s board of directors must be given as follows:

<table>
<thead>
<tr>
<th>Document</th>
<th>Contents</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dealer Member’s board material and foreign custodian certificate</td>
<td>Dealer Member board’s or committee of the Dealer Member board’s annual written approval of foreign custodian as foreign location for holding securities</td>
<td>Approval must be documented in minutes of a meeting. Approval must be available for review by examiners during a field examination of the Dealer Member</td>
</tr>
</tbody>
</table>

(4) Without this written approval and filed foreign custodian certificate, the location is a non-acceptable securities location.

4352. Obtaining a client waiver when an external acceptable securities location is unavailable

(1) If a Dealer Member holds client securities in a foreign jurisdiction where:
(i) *applicable laws* and circumstances may restrict the transfer of securities from that jurisdiction, and

(ii) the Dealer Member cannot arrange to hold the client’s securities in the jurisdiction at an external acceptable securities location,

the Dealer Member must obtain a waiver from the client.

(2) The client’s waiver in approved form must be obtained for each transaction.

(3) In the waiver, the client must:

(i) consent to the arrangement,

(ii) acknowledge the risks associated with holding securities at the specified foreign custodian on behalf of the Dealer Member in the specified country, and

(iii) waive any claims it may have against the Dealer Member and hold the Dealer Member harmless if the foreign custodian loses the securities.

(4) On obtaining the waiver, a Dealer Member may hold those client securities at a custodian in the foreign jurisdiction if the Dealer Member has a written custodial agreement with the custodian.

PART B.3 - WRITTEN CUSTODIAL AGREEMENT REQUIREMENT

4353. Agreement with each external securities location

(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 that:

(i) the Dealer Member must give prior written consent to any use or disposal of the securities,

(ii) security certificates can be delivered promptly on demand or, if certificates are not available and the securities are book-based, must be transferable either from the location or to another person at the location promptly on demand,

(iii) the securities are held in segregation for the Dealer Member or its clients free and clear of any charge, lien, claim or encumbrance in favour of the custodian, and

(iv) the custodian indemnifies the Dealer Member against losses due to the custodian’s failure to return any securities or property it holds to the Dealer Member. However, the custodian’s liability is limited to the market value of the securities and property at the time it was required to deliver them to the Dealer Member.

When custody is secured by a global custodial agreement, including where the custodian uses a subcustodian, the custodian’s indemnity must:

(a) meet standard industry practice,

(b) be legally enforceable, and

(c) be of sufficient scope and in a form that is acceptable to the Corporation.

4354. Bare trustee custodial agreement

(1) For book-based security holdings in which a Dealer Member does not have a written custodial agreement with an external acceptable securities location, the Dealer Member is in compliance
with section 4353 if the Corporation, as bare trustee for Dealer Members, has an approved form of custodial agreement with the custodian.

PART B.4 - CONFIRMATION AND RECONCILIATION REQUIREMENTS

4355. Securities in transit
(1) If securities are in transit between internal storage locations:
   (i) for which there are no adequate internal controls maintained, or
   (ii) for more than five business days,

   those securities are not considered to be under the Dealer Member’s control or physical possession for purposes of good segregation.

4356. Confirmations from external acceptable securities locations
(1) A Dealer Member must receive a positive confirmation of all securities positions annually at its fiscal year-end audit date from each external acceptable securities location.
(2) If a Dealer Member does not receive a positive fiscal year end audit confirmation of a securities position from an external acceptable securities location, then the Dealer Member must transfer the position to its difference account.

4357. Confirmations from transfer locations in Canada
(1) If a Dealer Member has delivered securities for re-registration to a transfer location in Canada, the Dealer Member must receive those securities within 20 business days of delivery.
(2) If a Dealer Member has not received those securities within 20 business days of delivery, it must obtain written confirmation of the position receivable from the transfer location within 45 business days of delivery.
(3) If the position remains unconfirmed after 45 business days from delivery, the transfer location is a non-acceptable transfer location for that position, and the Dealer Member must transfer the position to its difference account.

4358. Confirmations from transfer locations in the United States
(1) If a Dealer Member has delivered securities for re-registration to a transfer location in the United States, the Dealer Member must receive those securities within 45 business days of delivery.
(2) If a Dealer Member has not received those securities within 45 business days of delivery, it must obtain written confirmation of the position receivable from the transfer location within 70 business days of delivery.
(3) If the position remains unconfirmed after 70 business days from delivery, the transfer location is a non-acceptable transfer location for that position, and the Dealer Member must transfer the position to its difference account.

4359. Confirmations from transfer locations outside Canada and the United States
(1) If a Dealer Member has delivered securities for re-registration to a transfer location outside Canada and the United States, the Dealer Member must receive those securities within 70 business days of delivery.
(2) If a Dealer Member has not received those securities within 70 business days of delivery, it must obtain written confirmation of the position receivable from the transfer location within 100 business days of delivery.

(3) If the position remains unconfirmed after 100 business days from delivery, the transfer location is a non-acceptable transfer location for that position, and the Dealer Member must transfer the position to its difference account.

4360. Confirmations of stock dividends receivable and stock splits

(1) If a Dealer Member has not received the securities from a declared stock dividend or stock split within 45 business days of the date receivable, the Dealer Member must obtain written confirmation of the position receivable.

(2) If the position remains unconfirmed after 45 business days, the Dealer Member must transfer the position to its difference account.

4361. Reconcile records for mutual funds and evidences of deposit

(1) A Dealer Member must, at least monthly, reconcile its records of securities consisting of mutual funds and evidences of deposit with records provided by the issuing mutual fund or financial institution.

PART B.5 - MARGIN REQUIREMENTS

4362. Acceptable securities location

(1) For securities a Dealer Member holds at an acceptable securities location, custodial related margin requirements only apply to unresolved differences.

4363. Margin charges – non-acceptable securities location

(1) For securities a Dealer Member holds at a non-acceptable securities location, additional margin requirements prescribed in this Part B.5 must be provided unless a client waiver is obtained that complies with the requirements in section 4352.

4364. Non-acceptable internal storage and non-acceptable securities location

(1) If securities are:

   (i) not considered to be under the Dealer Member’s control or physical possession for purposes of good segregation under section 4355, or

   (ii) not under a Dealer Member’s physical possession and are held at a non-acceptable securities location because:

       (a) the location does not meet the criteria for an internal acceptable securities location as specified in section 4345, or

       (b) the location does not meet the criteria for an external acceptable securities location as specified in section 4348, or

       (c) there is no annual written approval of a foreign institution or foreign securities dealer as an acceptable securities location as specified in section 4351,

   then, when it calculates risk adjusted capital, a Dealer Member must deduct 100% of the market value of securities held in custody with the non-acceptable securities location.
4365. No confirmation from securities location

(1) Security positions where the Dealer Member has not received:
   (i) a positive fiscal year end audit confirmation under subsection 4356(2) or where an adequate month-end reconciliation process is not performed by the Dealer Member,
   (ii) a confirmation from a transfer agent, within the required time period, under subsection 4357(3), 4358(3) or 4359(3), or
   (iii) a confirmation of a related stock split or stock dividend under subsection 4360(2)
are not considered to be under the Dealer Member’s control or physical possession for purposes of good segregation and must be transferred to a Dealer Member’s difference account.

(2) For difference account positions in subsection 4365(1), the Dealer Member must:
   (i) provide for the purposes of calculating risk adjusted capital, as an amount required to margin, the sum of the security position market value and the normal inventory margin, and
   (ii) undertake to borrow or buy-in the position pursuant to section 4368.

4366. No written custodial agreement

(1) If a Dealer Member does not have a written custodial agreement with a custodian, and that entity would otherwise qualify as an acceptable securities location, it must provide margin on the security positions held in custody at that custodian in accordance with subsections 4366(2) and 4366(3).

(2) Dealer Member has no set-off risk with the custodian
   (i) If the Dealer Member has no set-off risk with the custodian, in determining its early warning excess and early warning reserve, the Dealer Member must deduct as a margin requirement 10% of the market value of the securities held in custody at the custodian.

(3) Dealer Member has set-off risk with the custodian
   (i) If the Dealer Member has set-off risk with the custodian, in determining:
      (a) its risk adjusted capital, the Dealer Member must deduct as a margin requirement the lesser of:
         (I) 100% of the set-off risk exposure, and
         (II) 100% of the market value of the securities held in custody
      and
      (b) its early warning excess and early warning reserve, the Dealer Member must deduct as a margin requirement the lesser of:
         (I) 10% of the market value of securities held in custody at the custodian, and
         (II) 100% of the market value of securities held in custody at the custodian less amount required in sub-clause 4366(3)(i)(a).

4367. Records - reconciliation

(1) If a Dealer Member reconciles its records to an issuing mutual fund’s or financial institution’s monthly files or statements in accordance with section 4361, the Dealer Member must provide margin based on the requirements in Form 1, Statement B, Line 22, Notes and Instructions for any unresolved differences.
(2) If a Dealer Member does not reconcile its records with files or statements received from mutual funds, or financial institutions for evidences of deposit, it must:

(i) in determining its risk adjusted capital, deduct as a margin requirement for unresolved differences an amount equal to:

(a) 10% of the market value of the securities, where there have been no transactions in the securities, other than redemptions and transfers, for at least six months and no loan value has been given on the securities, or

(b) 100% of the market value of the securities,

and

(ii) undertake to borrow or buy-in the position pursuant to section 4368.

4368. Difference accounts

(1) A Dealer Member must maintain a difference or suspense account to record all securities not received due to unreconcilable differences or errors in any accounts.

(2) If a Dealer Member has not received the securities recorded in a difference account within 30 business days of recording the deficiency, the Dealer Member must:

(i) borrow the same class or series of securities to cover the deficiency, or

(ii) undertake to purchase the securities immediately.

4369. - 4379. Reserved.

PART C - CLIENT FREE CREDIT BALANCE REQUIREMENTS

4380. Introduction

(1) Part C of Rule 4300 restricts a Dealer Member’s use of clients’ free credit balances in its business.

4381. Definitions

(1) The following term has the meaning set out below when used in Part C of Rule 4300:

| “net allowable assets” | A Dealer Member’s net allowable assets calculated in Statement B of Form 1 |

4382. Dealer Member’s use of client free credit balances

(1) A Dealer Member may use its clients’ free credit balances in its business only in accordance with Part C of Rule 4300.

4383. Notation on client account statements

(1) A Dealer Member that does not keep its clients’ free credit balances:

(i) segregated in trust for clients in an account with an acceptable institution, and

(ii) separate from other money the Dealer Member receives, must clearly write the following or equivalent on all statements of account it sends to clients:

“Any free credit balances represent funds payable on demand which, although properly recorded in our books, may not be segregated and may be used in the conduct of our business.”
Corporation Investment Dealer and Partially Consolidated Rules

4384. Calculating usable free credit balances

(1) A Dealer Member must not use in its business an amount of clients’ free credit balances that totals more than the greater of:

(i) general free credit limit:

twelve times the Dealer Member’s early warning reserve amount, or

(ii) margin lending adjusted free credit limit:

twenty times the Dealer Member’s early warning reserve amount for margin lending purposes plus twelve times the remaining early warning reserve amount for all other purposes, where the remaining early warning reserve amount equals the early warning reserve amount minus 1/20th of the total settlement date client margin debit amount.

(2) A Dealer Member must segregate clients’ free credit balances in excess of the amount calculated in subsection 4384(1) either:

(i) in cash held in trust for clients in a separate account with an acceptable institution, and this trust property must be clearly identified as such at the acceptable institution or

(ii) in the following securities:

<table>
<thead>
<tr>
<th>Securities eligible for client free credit segregation purposes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category</td>
</tr>
<tr>
<td>----------</td>
</tr>
<tr>
<td>1. Bonds, debentures, treasury bills and other securities with a term of 1 year or less, issued or guaranteed by the following:</td>
</tr>
<tr>
<td>1. Bonds, debentures, treasury bills and other securities with a term of 1 year or less, issued or guaranteed by the following:</td>
</tr>
<tr>
<td>2. Bonds, debentures, treasury bills and other securities with a term of 1 year or less, issued or guaranteed by any other national foreign government not identified in category 1</td>
</tr>
<tr>
<td>3. Canadian bank paper with an original maturity of 1 year or less</td>
</tr>
<tr>
<td>Minimum designated rating organization current credit rating</td>
</tr>
<tr>
<td>Not applicable (N/A)</td>
</tr>
<tr>
<td>Not applicable (N/A)</td>
</tr>
</tbody>
</table>
4385. **Weekly calculation**

(1) At least weekly, but more frequently if required, a Dealer Member must calculate the amounts that must be segregated under section 4384.

4386. **Daily compliance review**

(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.

4387. - 4399. **Reserved.**
4401. Introduction
   (1) Rule 4400 sets out the following Dealer Member requirements relating to the protection of client assets:
       Part A - Safekeeping requirements
           [sections 4402 through 4407]
       Part B - Internal controls requirements for safeguarding cash and securities
           [sections 4420 through 4433]
       Part C - Insurance requirements
           [sections 4450 through 4468]

PART A - SAFEKEEPING REQUIREMENTS

4402. Introduction
   (1) Part A of Rule 4400 requires a Dealer Member to have adequate safekeeping arrangements in place to protect its clients’ assets.

4403. Written safekeeping agreement
   (1) A Dealer Member with securities held for safekeeping must have a written safekeeping agreement with each client it holds securities for.

4404. Securities free from encumbrance
   (1) A Dealer Member must keep securities held for safekeeping free from any encumbrance.

4405. Procedures to keep securities apart
   (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.

4406. Identifying securities held for safekeeping in records
   (1) A Dealer Member must specifically identify and record securities held for safekeeping in its securities position records and client’s ledger and statement of account.

4407. Release of securities held in safekeeping
   (1) A Dealer Member may release securities held for safekeeping to others only when the client so instructs.

4408. - 4419. Reserved.

PART B - INTERNAL CONTROL REQUIREMENTS FOR SAFEGUARDING CASH AND SECURITIES

4420. Introduction
   (1) Part B of Rule 4400 requires a Dealer Member to have policies and procedures to prevent loss of its clients’ and its own assets.
4421. Safeguarding client and Dealer Member cash and securities

(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) The Corporation 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 the Corporation approves.

4422. Receipt and delivery of securities

(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.

4423. Restricting access to securities

(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.

4424. Clearing

(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.
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:

(i) a margin account agreement, or
(ii) a cash and security loan agreement,
that has been executed in accordance with Corporation requirements.

A Dealer Member must reconcile its records daily with clearing corporation and depository records to ensure they agree.

4425. Protecting securities

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.

4426. How to handle security records

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.

4427. Rules for counting securities

1. At least once a year, a Dealer Member must count physical securities held:
   (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.

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.

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.

4428. Moving certificates and securities between branches

(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.

(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.

(3) The receiving branch must check securities received against the accompanying transit sheet.

(4) The methods of transportation a Dealer Member chooses for securities in transit must:
   (i) comply with insurance policy terms, and
   (ii) take into account the value, negotiability, urgency, and cost factors.

4429. Transferring securities

(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.

4430. Re-organization

(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.

4431. Handling dividends and interest

(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:
   (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:
   (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.

4432. Reconciling internal accounts

(1) At least monthly, a Dealer Member must reconcile internal accounts.

(2) A department manager or another appropriate manager must review the reconciliation.

4433. Cash

(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:
   (i) access to funds, either receipts or disbursements, or
   (ii) access to securities, or
Corporation Investment Dealer and Partially Consolidated Rules

(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.

4434. - 4449. Reserved.

PART C - INSURANCE REQUIREMENTS

4450. Introduction

(1) Part C of Rule 4400 requires a Dealer Member to have enough insurance to protect against potential losses from theft, fraudulent acts, and other losses.

4451. Definitions

(1) The following terms have the meanings set out below when used in Part C of Rule 4400:

| “base amount” | The greater of:
|               | (i) the aggregate client net equity for all client accounts, where net equity for each client is the excess, if any, of the total value of cash, securities, and other acceptable property the Dealer Member owes to the client over the total value of cash, securities, and other acceptable property the client owes to the Dealer Member, and
|               | (ii) the aggregate Dealer Member liquid and other allowable assets calculated in accordance with Form 1, Statement A. |
| “other acceptable property” | The same meaning as set out in Schedule 10 of Form 1. |
| “standard form financial institution bond” | The standard form of Financial Institution Bond insurance coverage a Dealer Member must obtain. |

4452. Dealer Member must have insurance

(1) A Dealer Member must have and maintain insurance:

   (i) against the types of loss, and
   (ii) with at least the minimum amount of coverage, as prescribed in Part C of Rule 4400.

4453. Qualified insurance carriers

(1) A Dealer Member must obtain and maintain insurance underwritten by either:

   (i) an insurer registered or licensed under the laws of Canada or a province of Canada, or
   (ii) a foreign insurer the Corporation has approved.

4454. Foreign insurers

(1) To obtain Corporation approval, a foreign insurer must:
(i) have a minimum net worth of $75 million on its last audited statement of financial position,
(ii) have financial information acceptable to, and available for inspection by, the Corporation, and
(iii) satisfy the Corporation that it is subject to supervision by regulatory authorities in its incorporation jurisdiction that is substantially similar to a Canadian insurance company’s supervision.

4455. Mail insurance

(1) A Dealer Member must have mail insurance that covers 100% of losses from any outgoing shipments of negotiable or non-negotiable securities by registered mail.

(2) If a Dealer Member delivers a written promise to the Corporation that it will not use registered mail for outgoing shipments of securities, the Corporation may exempt the Dealer Member from the requirement in subsection 4455(1).

4456. Financial institution bond

(1) A Dealer Member must have and maintain insurance against losses, using a financial institution bond with a discovery rider attached or discovery provisions incorporated in the financial institution bond. The five types of losses the insurance must cover are:

(i) **Fidelity** - Any loss, including loss of property, from a dishonest or fraudulent act of a Dealer Member’s employees:
   (a) committed anywhere, and
   (b) committed alone or with others.

(ii) **On premises** - Any loss of money, securities, or other property through robbery, burglary, theft, hold-up or other fraudulent means, mysterious disappearance, damage, or destruction while in any of:
   (a) the insured’s offices,
   (b) a banking institution’s offices,
   (c) a clearing house, or
   (d) a recognized place of safe-deposit,
   all as defined in the standard form financial institution bond.

(iii) **In transit** - Any loss of money and negotiable or non-negotiable securities or other property, while in transit. The value of securities in transit in an employee’s or agent’s custody must not exceed the protection under this clause. In transit coverage must be calculated on a dollar for dollar basis. A Dealer Member must provide, for Corporation approval, a list of exceptions to the money, securities, or other property protected under this clause.

(iv) **Forgery or alterations** - Any loss through forgery or alteration of any:
   (a) cheques,
   (b) drafts,
   (c) promissory notes, or
   (d) other written orders or directions to pay sums in money, excluding securities, as defined in the standard form financial institution bond.
(v) **Securities** - Any loss:
   (a) through the purchase, acquisition, sale, delivery, extension of credit, or action on securities or other written instruments which prove to have been:
      (I) forged,
      (II) counterfeited,
      (III) raised or altered, or
      (IV) lost or stolen,
   or
   (b) due to having guaranteed in writing or having witnessed any signatures on any transfers, assignments or other documents or written instruments, as defined in the *standard form financial institution bond*.

4457. **General minimum insurance requirement**
   (1) Self-clearing and Type 3 and Type 4 *introducing brokers* must maintain minimum insurance for each clause in subsection 4456(1) for the greater of:
      (i) $500,000, and
      (ii) 1% of the *base amount*,
   provided that the minimum amount need not exceed $25,000,000 for each clause.

4458. **Minimum insurance requirement for certain introducing brokers**
   (1) Type 1 and Type 2 *introducing brokers* must maintain minimum insurance for each clause in subsection 4456(1) for the greater of:
      (i) $200,000 for a Type 1 *introducing broker* arrangement or $500,000 for Type 2 *introducing broker* arrangement, and
      (ii) ½% of the *base amount*,
   provided that the minimum amount need not exceed $25,000,000 for each clause.

4459. **Double aggregate limit**
   (1) A *Dealer Member* must maintain minimum insurance coverage with a double aggregate limit or a provision for full reinstatement.

4460. **Calculating minimum insurance requirement and risk adjusted capital provisions**
   (1) Every month, a *Dealer Member* must calculate its required minimum insurance coverage and file Schedule 10 of Form 1 with its monthly financial report.
   (2) In calculating minimum insurance coverage requirements, a *Dealer Member* must treat non-negotiable and negotiable form securities as the same.
   (3) When calculating its *risk adjusted capital* amount, a *Dealer Member* must provide capital for the amount of its insurance deductible.

4461. **Correction of insufficient coverage**
   (1) If a *Dealer Member* has less coverage than the calculated minimum insurance requirement coverage and the deficiency:
(i) if less than 10% of the minimum insurance requirement, the Dealer Member must correct the deficiency within two months of the filing date of the monthly financial report within which the deficiency was reported, or

(ii) if 10% or more of the insurance requirement, the Dealer Member must promptly notify the Corporation and correct the deficiency within 10 days of identifying it.

4462. Global financial institution bonds

   1) If a Dealer Member maintains insurance under Part C of Rule 4400 that names the insured as, or that benefits, the Dealer Member and any other person, then:

      (i) the Dealer Member must have the right to claim directly against the insurer for losses, and payment or satisfaction of losses must be made directly to the Dealer Member, and

      (ii) the individual or aggregate limits under the standard form financial institution bond may only be affected by claims made by or for:

             (a) the Dealer Member,

             (b) the Dealer Member’s subsidiaries whose financial results are consolidated with the Dealer Member’s, or

             (c) the Dealer Member’s holding company, if the holding company does not carry on any business or own any investments other than its interest in the Dealer Member.

   This applies no matter what the claims, experience, or any other factor that refers to any other person.

4463. Notify the Corporation of underwriter insurance termination

   1) A Dealer Member’s standard form financial institution bond and mail insurance policies must require the underwriter to notify the Corporation at least 30 days before the underwriter terminates or cancels insurance coverage.

4464. When insurance ends due to take-over

   1) A Dealer Member taken over by another entity must ensure it has standard form financial institution bond coverage for 12 months from the date of the take-over to cover discovery of any losses it had before the take-over date.

   2) The Dealer Member must ensure that any additional premium is paid.

4465. Notify the Corporation of claims

   1) A Dealer Member must give written notice to the Corporation within two business days of reporting a claim to the insurer or its authorized representative.

4466. Board of directors review and designation

   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:

         (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.
4467. Executive review

(1) A Dealer Member’s policies and procedures must require the Executive responsible for insurance matters:

(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.

4468. Executive prompt action

(1) A Dealer Member’s policies and procedures must require the appropriate Executive to:

(i) take prompt action to avert or remedy any projected or actual insurance deficiency, and

(ii) notify the Corporation immediately of any deficiencies, pursuant to clause 4461(1)(ii).

4469. - 4499. Reserved.
RULE 4500 | FINANCING ARRANGEMENTS - REPURCHASE MARKET TRADING PRACTICES

4501. Introduction
(1) Rule 4500 sets out a standard set of trading practices to increase the transparency of the repurchase agreement or reverse repurchase agreement markets and to promote liquidity and efficiency in the markets.

4502. Definitions
(1) The following terms have the meaning set out below when used in Rule 4500:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;best efforts&quot;</td>
<td>A repurchase agreement or reverse repurchase agreement trade where the buyer assumes the risk that the seller cannot deliver the securities within the specified time.</td>
</tr>
<tr>
<td>&quot;CDSX&quot;</td>
<td>The CDS clearing and settlement system comprising the Depository Service and the Settlement Service.</td>
</tr>
<tr>
<td>&quot;forward repo&quot;</td>
<td>A repurchase agreement or reverse repurchase agreement trade that settles later than next day.</td>
</tr>
<tr>
<td>&quot;general collateral&quot;</td>
<td>Government of Canada debt that is CDSX eligible, including real-return bonds and strips (residuals and coupons). For real-return bonds an all-in price should be used and the coupon exchanged on coupon payment date.</td>
</tr>
<tr>
<td>&quot;inter-dealer broker&quot;</td>
<td>An organization that provides clients information, electronic trading and communications services for trading in wholesale financial markets.</td>
</tr>
<tr>
<td>&quot;odd-lot&quot;</td>
<td>A lot less than $25 million for either: (i) overnight and term general collateral, or (ii) specials, both term and overnight.</td>
</tr>
</tbody>
</table>

4503. General
(1) A Dealer Member trading in the repurchase agreement or reverse repurchase agreement market that does not include all necessary terms about sales and set-offs in an agreement with the other party must make a capital adjustment as set out in Form 1.

4504. Marking to market
(1) Unless otherwise agreed by the parties, a Dealer Member must periodically review its margins to ensure that they are still appropriate for the maturity dates.
(2) Unless otherwise agreed by the parties, a Dealer Member that wants to mark-to-market its counterparties must do so by 11:30 a.m.. The mark-to-market must be done on a net basis and not done by issue.
(3) If the parties cannot agree on a price, the current mid-market prices must be used to determine the mark-to-market price. A Dealer Member must use the composite prices on an inter-dealer broker's screen to determine mid-market price.
(4) A Dealer Member must maintain margin through margin calls and not through substitutions.
(5) Cash and collateral considerations:
   (i) unless the parties agree otherwise, all dealer-to-dealer margin calls must be met with the transfer of cash or collateral,
(ii) if a Dealer Member chooses to meet the margin call with cash, the cash must not be used to change the economic nature of the trade. The cash will bear interest at the rate agreed between the parties,

(iii) if a Dealer Member chooses to meet a margin call using collateral, the collateral must have characteristics similar to or better than the security being repurchased or resold, be reasonably acceptable to the other party and be applied on a reasonable basis, and

(iv) a Dealer Member may deliver a maximum of one piece of collateral per million dollars.

(6) A Dealer Member that wishes to substitute previously margined collateral must do so by 11:30 a.m.

4505. Forward repo trade confirmations

(1) A Dealer Member must send the client a confirmation of all forward repo trades on the trade date of the trade agreement.

(2) In addition to the disclosures set out in section 3816, the written confirmation must contain, at a minimum, the:
   (i) money or par amount, as applicable,
   (ii) start date,
   (iii) end date,
   (iv) interest rate,
   (v) collateral type, and
   (vi) any substitution rights.

(3) All forward repo trades must be confirmed on the CDSX system.

4506. Obligation to make coupon payments

(1) A repurchase agreement or reverse repurchase agreement seller must receive payment from the repurchase agreement or reverse repurchase agreement buyer of any income on the securities that the seller would have been entitled to if it had not entered the repurchase agreement or reverse repurchase agreement transaction.

(2) A repurchase agreement or reverse repurchase agreement buyer does not need to transfer an amount equal to the income payment to the repurchase agreement or reverse repurchase agreement seller, but can apply it to reduce the amount transferred to the repurchase agreement or reverse repurchase agreement buyer at the end of the transaction. All repurchase agreements or reverse repurchase agreements are priced this way, unless otherwise agreed.

4507. Substitutions

(1) A repurchase agreement or reverse repurchase agreement purchaser does not need to accept collateral substitutions unless it agreed to do so before the transaction.

(2) Collateral passed for an overnight or term trade may be substituted on a best efforts basis only.

4508. General collateral repurchase agreement or reverse repurchase agreement allocations

(1) General collateral transactions in the repurchase agreement or reverse repurchase agreement market are allocated based on the type of transaction. The general allocation methods for cash
settlements, forward settlements and replacement transactions when substitutions occur are set out in section 4508.

(2) Money-fill basis:
   (i) general collateral transactions are completed on a money-fill basis as explained in clause 4508(2)(ii), unless otherwise agreed,
   (ii) a transaction executed on a money-fill basis means that the loan or principal amount allocated must be equal to the loan amount transacted. Collateral allocations will be no more than two issues to make $50 million, and
   (iii) clause 4508(2)(ii) applies to cash trades, forward settlements and substitutions.

(3) If a transaction is executed on a par basis:
   (i) the allocated amount must equal the par amount for cash and forward settlements, and
   (ii) for substitutions, the replacement transaction must be done on the basis of the par amount originally transacted.

(4) Special repurchase agreement or reverse repurchase agreement trades must be done on a par basis.

4509. Confidentiality

(1) Subject to subsection 4509(3), all Dealer Members and inter-dealer brokers must maintain the confidentiality of the names of the parties to a trade.

(2) Dealer Members and inter-dealer brokers must not ask questions to try to discover the identity of a party.

(3) Certain information may be disclosed as follows:
   (i) for a trade that is done through an inter-dealer broker, a Dealer Member may disclose the identity of a party to only counterparties to the trade after the trade is completed,
   (ii) an inter-dealer broker may inform a Dealer Member that it does not have a line of credit with the other party to the trade before a market is made, as long as it does not give any other information about that party,
   (iii) for a name “give up” trade, the full names of parties must be disclosed to counterparties to the trade at the time of the trade to ensure that Dealer Members follow proper credit procedures, and
   (iv) subsections 4509(1) and 4509(2) do not prevent Dealer Members or inter-dealer brokers from asking or answering questions to determine the size of the bid or offer.

4510. - 4599. Reserved.
RULE 4600 | FINANCING ARRANGEMENTS - CASH AND SECURITIES LOAN, REPURCHASE AGREEMENT, AND REVERSE REPURCHASE AGREEMENT TRANSACTIONS

4601. Introduction

(1) Rule 4600 covers requirements for cash and securities loan, repurchase agreement transactions, and reverse repurchase agreement transactions and includes:

(i) definitions,
(ii) general requirements,
(iii) written agreement requirement,
(iv) cash and securities loans between a Dealer Member and an acceptable institution or acceptable counterparty,
(v) cash and securities loans between regulated entities, and
(vi) cash and securities loans with other counterparties.

4602. Definitions

(1) The following terms have the meaning set out below when used in Rule 4600:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>overnight cash loan agreement</td>
<td>An oral or written agreement under which a Dealer Member deposits cash with another Dealer Member for up to two business days.</td>
</tr>
<tr>
<td>Schedule I chartered bank</td>
<td>A Schedule I bank under the Bank Act (Canada) that has a capital and reserves position of one billion dollars ($1,000,000,000) or more at the time of the securities loan transaction.</td>
</tr>
</tbody>
</table>

4603. General requirements

(1) Marking to market

(i) Borrowed securities and collateral must be marked to market daily on a loan by loan basis.

(2) Record transactions

(i) A Dealer Member must record all financing transactions in its records.

(3) Loan accounts

(i) A Dealer Member must keep financing accounts separate from the Dealer Member’s securities trading accounts.

(ii) A Dealer Member must keep financing accounts separate from the client’s securities trading accounts.

(4) Confirmations and month-end statements

(i) A Dealer Member must issue confirmations and month-end statements, except when the transaction with other regulated entities is processed through an acceptable clearing corporation.

(5) Buy-ins

(i) A Dealer Member must begin a buy-in (liquidating transaction) within two business days of the date on which the buy-in notice is given.
4604. **Written agreement requirement**

(1) If a Dealer Member has a cash and securities loan agreement, other than an overnight cash loan agreement, that agreement must be in writing and contain the minimum provisions described in section 5840.

(2) If a Dealer Member has a written agreement for repurchase agreement transaction or reverse repurchase agreement transaction, that agreement must include the parties’ acknowledgment that either has the right, on notice, to call for any shortfall in the difference between the collateral and the securities at any time.

(3) If a Dealer Member does not have a written agreement for a securities loan, a repurchase agreement transaction or reverse repurchase agreement transaction, then applicable margin rates are affected.

4605. **Cash and securities loans between a Dealer Member and an acceptable institution or acceptable counterparty**

(1) When a cash or securities loan is between a Dealer Member and an acceptable institution or an acceptable counterparty, they may use as collateral letters of credit that a Schedule I chartered bank issues.

4606. **Cash and securities loans between regulated entities**

(1) If a cash or securities loan is between regulated entities:

   (i) the written cash and securities loan agreement must state that either party has the right, at any time by giving notice to the other party, to call for any shortfall in the difference between the collateral and the borrowed cash or securities, and

   (ii) they may use as collateral, a Schedule I chartered bank letter of credit.

4607. **Cash and securities loans with other counterparties**

(1) When a cash or securities loan is between a Dealer Member and a party to which neither section 4605 nor 4606 applies, a Dealer Member must comply with subsections 4607(2) and 4607(3).

(2) Securities pledged as collateral must:

   (i) be held by:

      (a) the Dealer Member in segregation,

      (b) an acceptable clearing corporation, or

      (c) a bank or trust company that is either an acceptable institution or an acceptable counterparty under an escrow agreement. The escrow agreement must be between the Dealer Member and the depository, institution, or counterparty and must be in a form acceptable to the Corporation,

   (ii) either:

      (a) be securities with a margin rate of 5% or less, or

      (b) be preferred shares or debt securities, convertible into common shares of the class borrowed.
(3) If a Dealer Member does not comply with subsection 4607(2) or clause 4603(3)(i), its net allowable assets are subject to a charge calculated in the same manner as for client account short securities balances.

4608. - 4699. Reserved.
4701. Introduction
   (1) Rule 4700 sets out the following requirements relating to Dealer Member operations:
   Part A - Business continuity plan
       [sections 4710 through 4714]
   Part B - General trading and delivery standards applicable to all transactions
       [sections 4750 through 4761]

4702. - 4709. Reserved.

PART A - BUSINESS CONTINUITY PLAN

4710. Introduction
   (1) To manage risk prudently and maintain investor confidence, Dealer Members must ensure they can continue to carry on business after a significant disruption and provide clients with prompt access to their assets.

4711. Creating a business continuity plan
   (1) A Dealer Member must establish and maintain a business continuity plan.

4712. Business continuity plan procedures
   (1) A Dealer Member’s business continuity plan must identify the procedures it will take to deal with a significant business disruption.
   (2) The procedures in subsection 4712(1) must be based on the Dealer Member’s assessment of its key business functions and required levels of operation during and following a disruption.
   (3) The procedures in subsection 4712(1) must provide reasonable assurance the Dealer Member stays in business long enough to meet its obligations to its clients and capital markets counterparties after a significant business disruption.

4713. Update business continuity plan
   (1) A Dealer Member must update its business continuity plan to reflect any significant change in any of its operations, structure, business, or locations.

4714. Annual review and test
   (1) Every year:
       (i) a Dealer Member must review and test, and
       (ii) an appropriate Executive must approve,
           its business continuity plan.
   (2) During its annual review, a Dealer Member must make any modifications to its business continuity plan that are necessary due to changes in its operations, structure, business, or locations.
The Corporation may require a qualified third party to carry out the annual review and test.

4715. – 4749. Reserved.

PART B - GENERAL TRADING AND DELIVERY STANDARDS APPLICABLE TO ALL TRANSACTIONS

4750. Introduction

(1) Part B of Rule 4700 sets out general trading and delivery requirements applicable to all transactions. Additional requirements applicable to transactions that are not cleared and settled through a clearing corporation can be found in Part A of Rule 4800.

4751. Definitions

(1) The following terms have the meaning set out below when used in Part B of Rule 4700:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>“acceptable trade matching utility”</td>
<td>The broker-to-broker trade matching utility in CDS’s CDSX (defined in section 4502), or a similar system approved by the Corporation. A list of approved acceptable trade matching utilities is updated and published as a notice by the Corporation.</td>
</tr>
<tr>
<td>“depository eligible transactions”</td>
<td>Transactions in securities where the affirmation and settlement can be performed through the facilities or services of CDS.</td>
</tr>
<tr>
<td>“eligible securities”</td>
<td>Securities that are eligible to be deposited in the clearing corporation.</td>
</tr>
<tr>
<td>“good delivery securities”</td>
<td>Securities that can be transferred without restrictions and delivered to the buyer of the securities.</td>
</tr>
<tr>
<td>“non-exchange trade”</td>
<td>Any trade in a CDS eligible security (excluding new issue trades and repurchase agreement transactions and reverse repurchase agreement transactions) between two Dealer Members, which has not been submitted to the CDS continuous net settlement service by a Marketplace or an acceptable foreign marketplace. A non-exchange trade includes the dealer to dealer portion of a jitney trade that is executed between two Dealer Members that is not reported by a Marketplace or an acceptable foreign marketplace.</td>
</tr>
<tr>
<td>“participant”</td>
<td>A participant in a clearing corporation’s settlement service.</td>
</tr>
<tr>
<td>“qualified Canadian trust company”</td>
<td>A trust company licensed to do business in Canada or a Canadian province with a minimum paid up capital and surplus of $5,000,000.</td>
</tr>
<tr>
<td>“settlement service”</td>
<td>A securities settlement service made available by CDS.</td>
</tr>
</tbody>
</table>

4752. Use of a clearing corporation

(1) Dealer Members who are participants in the same clearing corporation must use the clearing corporation’s settlement service to settle all trades between themselves involving eligible securities, unless both the delivering Dealer Member and the receiving Dealer Member agree otherwise.

(2) If a Dealer Member is using a clearing corporation to settle a trade, it must report and settle the trade in accordance with the requirements set out in Part B of Rule 4700 and the clearing corporation’s rules and procedures.

(3) If a Dealer Member is not using a clearing corporation to settle a trade it must report and settle the trade in accordance with the requirements set out in Part B of Rule 4700 and Part A of Rule 4800.
4753. Use of a trade matching utility

(1) For each non-exchange trade, involving CDS eligible securities, executed by a Dealer Member with another Dealer Member, the Dealer Member must at or before 6 p.m. on the day the trade was executed:

(i) enter the trade into an acceptable trade matching utility, or

(ii) accept or reject any trade entered into an acceptable trade matching utility by another Dealer Member.

4754. Trade classification where a Dealer Member enters a trade into the matching utility

(1) If a Dealer Member enters a trade into an acceptable trade matching utility under clause 4753(1)(i), the trade is considered for each dealer trade counterparty to be a compliant trade, a “don’t know” (DK) trade or a non-compliant trade according to the following table:

<table>
<thead>
<tr>
<th>Action of Dealer Member</th>
<th>Action of other Dealer Member</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enter trade at or before 6 p.m.</td>
<td>Dealer Member compliant trade Other Dealer Member compliant trade</td>
</tr>
<tr>
<td></td>
<td>Dealer Member non-compliant trade Other Dealer Member compliant trade</td>
</tr>
<tr>
<td>Accept trade at or before 6 p.m.</td>
<td>Dealer Member compliant trade Other Dealer Member compliant trade</td>
</tr>
<tr>
<td>Enter or accept trade after 6 p.m.</td>
<td>Dealer Member compliant trade Other Dealer Member non-compliant trade</td>
</tr>
<tr>
<td>Reject trade at or before 6 p.m.</td>
<td>Dealer Member don’t know or DK trade Other Dealer Member don’t know or DK trade</td>
</tr>
<tr>
<td>Reject trade after 6 p.m.</td>
<td>Dealer Member don’t know or DK trade Other Dealer Member non-compliant trade</td>
</tr>
<tr>
<td>No action</td>
<td>Dealer Member compliant trade Other Dealer Member non-compliant trade</td>
</tr>
<tr>
<td></td>
<td>Dealer Member non-compliant trade Other Dealer Member non-compliant trade</td>
</tr>
</tbody>
</table>

4755. Trade classification where a Dealer Member does not enter a trade into the matching utility

(1) If a Dealer Member accepts or rejects a trade entered into an acceptable trade matching utility by another Dealer Member under clause 4753(1)(ii) or takes no action on a trade entered into an acceptable trade matching utility by another Dealer Member, the trade is considered for each
dealer trade counterparty to be a compliant trade, a “don’t know” (DK) trade or a non-compliant trade according to the following table:

<table>
<thead>
<tr>
<th>Action of other Dealer Member</th>
<th>Enter trade at or before 6 p.m.</th>
<th>Enter trade after 6 p.m.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accept at or before 6 p.m.</td>
<td>Dealer Member compliant trade</td>
<td>Dealer Member non-compliant trade</td>
</tr>
<tr>
<td></td>
<td>Other Dealer Member compliant trade</td>
<td>Other Dealer Member non-compliant trade</td>
</tr>
<tr>
<td>Accept after 6 p.m.</td>
<td>Dealer Member non-compliant trade</td>
<td>Dealer Member non-compliant trade</td>
</tr>
<tr>
<td></td>
<td>Other Dealer Member compliant trade</td>
<td>Other Dealer Member non-compliant trade</td>
</tr>
<tr>
<td>Reject at or before 6 p.m.</td>
<td>Dealer Member don’t know or DK trade</td>
<td>Dealer Member don’t know or DK trade</td>
</tr>
<tr>
<td></td>
<td>Other Dealer Member don’t know or DK trade</td>
<td>Other Dealer Member non-compliant trade</td>
</tr>
<tr>
<td>Reject after 6 p.m.</td>
<td>Dealer Member non-compliant trade</td>
<td>Dealer Member don’t know or DK trade</td>
</tr>
<tr>
<td></td>
<td>Other Dealer Member don’t know or DK trade</td>
<td>Other Dealer Member non-compliant trade</td>
</tr>
<tr>
<td>No action</td>
<td>Dealer Member non-compliant trade</td>
<td>Dealer Member non-compliant trade</td>
</tr>
<tr>
<td></td>
<td>Other Dealer Member compliant trade</td>
<td>Other Dealer Member non-compliant trade</td>
</tr>
</tbody>
</table>

4756. **Trade matching quarterly compliant trade percentage**

(1) A *Dealer Member* must:

   (i) promptly report to the *Corporation* when its quarterly compliant trade percentage is less than 90% in any quarter, and
   (ii) include in this report its action plan to improve its percentage.

(2) The quarterly compliant trade percentage for a *Dealer Member* is determined by dividing the sum of the quarter’s compliant trades (which does not include “don’t know” trades) by the total number of *non-exchange trades* that are executed during the quarter by the *Dealer Member* with other *Dealer Members*.

(3) Failure to increase the compliant trade percentage to 90% or more within the next quarter after the first sub-standard report will be grounds for the *Corporation* to pursue disciplinary action.

4757. **Payment or delivery through client settlement agent**

(1) For any arrangement where the payment of securities purchased or delivery of securities sold is to be made to or through a client’s settlement agent, all of the following procedures must be followed:

   (i) the *Dealer Member* receives from the client prior to or at the time of accepting the order the name and address of the settlement agent and account number of the client on file.
with the settlement agent. Where settlement is made through a depository offering an identification number system for the clients of settlement agents of the depository, the Dealer Member must have the client identification number prior to or at the time of accepting the order and use the number in the settlement of the trade,

(ii) each order accepted from the client is identified as either a delivery or receipt against payment trade,

(iii) the Dealer Member provides to the client a confirmation according to Rule 3800,

(iv) the Dealer Member has obtained an agreement from the client stating that the client will:

(a) promptly provide its settlement agent with instructions regarding the transaction following its receipt of the transaction confirmation from the Dealer Member, or the relevant date and information as to each execution from the Dealer Member, relating to such order (even though such execution represents the purchase or sale of only a part of the order), and

(b) ensure that its settlement agent affirms the transaction no later than the next business day after the date of execution of the trade to which the confirmation relates,

and

(v) the client and its settlement agent must use the facilities or services of CDS for the affirmation and settlement of all depository eligible transactions through such facilities or services including book based or certificated settlement. This clause 4757(1)(v) applies only to transactions:

(a) to be settled in Canada, and

(b) where both the Dealer Member and the settlement agent are participants of CDS or the same facilities or services of CDS required in respect of the trade.

4758. Early registration of securities

(1) Prior to the receipt of payment, a Dealer Member must not register any security, with the exception of a new issue on a date before the close date, in the name of the client or his or her nominee. A Dealer Member’s absorption of bank or other charges incurred by a client or his or her nominee for the registration of a security will be considered an infraction of this requirement.

(2) After the receipt of payment, a Dealer Member may absorb transfer fees incurred in the transfer of a security according to a client's instructions.

(3) Despite subsection 4758(1), a Dealer Member may register an eligible security in the name of, or in the name of a nominee of, a self-administered registered retirement savings plan registered under the Income Tax Act (Canada) before payment is received if, before the securities are registered, a Dealer Member obtains an unconditional guarantee from the trust company administering the plan.

4759. Repurchase agreement or reverse repurchase agreement transactions and option granting transactions with clients

(1) Before entering into the following transactions a Dealer Member must have in writing all terms relevant to the transaction on the face of the contract or if necessary, on an additional page
attached to the contract provided those terms are referred to on the face of the contract, with a client:

(i) an agreement to purchase or repurchase a security,
(ii) an agreement to sell or resell a security, or
(iii) the granting of a put, call or similar *option* involving a security.

4760. When issued trading

(1) Unless otherwise provided by the *Corporation* or the parties to the trade agree otherwise:

(i) all when issued trades made before the trading day before the anticipated date of issue of the security must be settled on the anticipated date of issue of such security,

(ii) all when issued trades made on or after the trading day before the anticipated date of issue of the security must be settled on the second settlement day after the trade date, and

(iii) if the security has not been issued on the settlement date in clause 4760(1)(i) or 4760(1)(ii), such trades must be settled on the date that the security is actually issued.

4761. Tax payments

(1) A selling *Dealer Member* must pay, or certify payment of, taxes required for a buying *Dealer Member* to transfer the securities purchased to nominee name, except in the situation where there is a register in the buying *Dealer Member’s* province, and the buying *Dealer Member* chooses to transfer the securities to a register outside that province.

4762. – 4799. Reserved.
RULE 4800 | OPERATIONS – TRADING AND DELIVERY STANDARDS FOR NON-CENTRALLY CLEARED TRANSACTIONS, ACCOUNT TRANSFERS AND BULK ACCOUNT MOVEMENTS

4801. Introduction

(1) Rule 4800 sets out the following requirements relating to Dealer Member operations:

Part A - Trading and delivery standards applicable to transactions that are not cleared and settled through a clearing corporation:

Part A.1 - Fixed income transactions
[sections 4803 through 4806]

Part A.2 - Stock transactions
[sections 4807 through 4809]

Part A.3 - Buy-in transactions
[section 4810]

Part B - Account transfers and bulk account movements

Part B.1 - Account Transfers
[sections 4852 through 4865]

Part B.2 - Bulk Account Movements
[section 4866].

PART A - TRADING AND DELIVERY STANDARDS APPLICABLE TO TRANSACTIONS THAT ARE NOT CLEARED AND SETTLED THROUGH A CLEARING CORPORATION.

4802. Introduction

(1) Part A of Rule 4800 sets out additional requirements applicable to transactions that are not cleared and settled through a clearing corporation.

PART A.1 – FIXED INCOME TRANSACTIONS

4803. Fixed income accrued interest

(1) All securities having interest payable as a fixed obligation, except securities in sale and repurchase agreement transactions, must be conducted on an accrued interest basis until maturity or a default in such payment either occurs or is announced by the debtor, whichever is the earlier event. The Corporation may set aside this requirement in specific cases where common practice and expediency prompt such action and will give due notice to all Dealer Members in such cases.

(2) Prior to actual default or announcement by the debtor as specified in subsection 4803(1), sales made of securities but undelivered at the time of default or such announcement, must be conducted on an accrued interest basis under the terms of the original transaction.

(3) Subsequent to default or announcement by the debtor as specified in subsection 4803(1), the securities must be handled on a flat basis with all matured and unpaid coupons attached, until such time as all arrears of interest have been paid and one current coupon has been paid when due.
(4) Transactions in bonds having coupons payable out of income, if and when earned, must take place on a flat basis. Any matured and unpaid income coupons must be attached. Income bonds that have been called for redemption must continue to be traded on a flat basis even after the call date has been published.

(5) Transactions in bonds where an issuer has been subject to reorganization or capital adjustment that results in the bondholders receiving as a bonus or otherwise, certain stock or scrip, such transactions must be ex stock or scrip, unless otherwise stated at the time the trade is made. Such bonds must be traded on a flat basis until such time as all arrears have been paid and one current coupon has been paid when due, except where the Corporation has determined otherwise.

(6) Accrued interest on trades in interest paying instruments that pay interest monthly and compound interest monthly must be zero, if the value date of the trade is an interest payment date. Otherwise, the accrued interest on such trades must be calculated by multiplying the face amount of the instrument by the interest rate of the instrument and the number of days between the value date of the trade and the last interest payment date prior to the value date of the trade and dividing the result by twelve multiplied by the number of days between the next interest payment date after the value date of the trade and the last interest payment date prior to the value date of the trade.

(7) For bonds or debentures that are only available in registered form, transactions made one business day before a regular interest payment and up to two business days before the closing of the transfer agent’s books for the next interest payment, both days inclusive, will be on an "and interest" basis. The full amount of such interest payment must be deducted by the seller after the calculation of interest on the regular delivery basis, unless delivery is completed to the buyer by 12 p.m. at a transfer point on the date of the closing of the transfer agent’s books for a regular interest payment.

(8) For bonds or debentures that are only available in registered form, transactions from one business day before the closing of the transfer agent’s books up to and including two business days before a regular interest payment must be "less interest" from settlement date to the regular interest payment date.

(9) Where interest on a transaction involves an amount greater than that represented by the half-yearly coupon, interest is to be calculated on the basis of the full amount of the coupon less one or two days, as the case may be.

4804. Fixed income trading units

(1) Section 4804 applies to all transactions between Dealer Members regardless of the Districts the Dealer Members are in.

(2) In section 4804 “trading units” is defined as follows:

(i) Government of Canada

(a) $250,000 par value for Government of Canada direct obligations and Government of Canada guaranteed obligations having an unexpired term of less than one year to maturity (or to the earliest call date, where the transaction is completed at a premium),
(b) $100,000 par value for Government of Canada direct obligations and Government of Canada guaranteed obligations having an unexpired term of one year or longer but three years or less to maturity (or to the earliest call date, where the transaction is completed at a premium),

(c) $100,000 par value for Government of Canada direct obligations and Government of Canada guaranteed obligations having an unexpired term to maturity of longer than three years (where the bond is traded at a premium, the earliest call date shall be treated as the maturity date).

(ii) Province of Canada

(a) $25,000 par value for bonds, debentures and other obligations of or guaranteed by a province in Canada.

(iii) Other Bonds and Debentures

(a) $25,000 par value for bonds and non-convertible debentures (other than Government of Canada direct obligations and Government of Canada guaranteed obligations and bonds, debentures and other obligations of or guaranteed by a province in Canada) that were not issued with attached stock warrants, rights or other attachments,

(b) $5,000 par value for bonds, convertible debentures or debentures (other than Government of Canada direct obligations and Government of Canada guaranteed obligations and bonds, debentures and other obligations of or guaranteed by a province in Canada) that were issued with attached stock warrants, rights or other attachments.

(3) A Dealer Member calling a market must trade trading units if called upon to trade, unless prefixed by some qualifying phrase. Any amount less than one trading unit will be considered as an “odd lot”.

(4) Any Dealer Member asking the size of a stated market must be prepared to buy or sell at least a trading unit at the price quoted if immediately requested to do so by the Dealer Member calling the market.

(5) Any Dealer Member who has been requested to call a market has the option to trade an odd lot at the called market (if so requested) or to adjust his market to compensate for the smaller amount involved.

4805. Fixed income delivery

(1) In section 4805 “regular delivery” is defined as:

(i) Government of Canada

(a) The same day as the transaction date for Government of Canada Treasury Bills.

(b) The second business day after the transaction date for Government of Canada Bonds and Government of Canada Guaranteed Bonds (except Treasury Bills) having an unexpired term to maturity of three years or less (or to the earliest call date where a transaction is completed at a premium). Any accrued interest must be stopped on the second business day after the transaction date.

(c) The second business day after the transaction date for Government of Canada Bonds and Government of Canada Guaranteed Bonds having an unexpired term to maturity
of longer than three years (where such a bond is traded at a premium the earliest call date shall be treated as the maturity date). Any accrued interest must be stopped on the second business day after the transaction date.

(ii) Province of Canada
   (a) The second business day after the transaction date for all provincial bonds or debentures. Any accrued interest must be stopped on the second business day after the transaction date.

(iii) Other Bonds and Debentures
   (a) The second business day after the transaction date for all municipal, corporation and other bonds or debentures (other than Government of Canada and Province of Canada treasury bills, bonds or debentures), and other certificates of indebtedness including mortgage-backed securities. Any accrued interest must be stopped on the second business day after the transaction date.

(2) All trades are to be considered for regular delivery, unless otherwise agreed to in writing by all of the parties to a transaction at the time of the transaction.

(3) For a deal involving the sale or purchase of more than one maturity, each maturity must be treated as a separate transaction. No contingent (all or none) dealings are permitted.

(4) New issues delivery
   (i) The regular delivery requirements are not intended to interfere in any way with the common practice of transactions between Dealer Members in new issues during the period of primary distribution on an "accrued interest to delivery" basis. However, the regular delivery requirements will come into effect on the appropriate number of business days prior to the new issue being first available for physical delivery.
   (ii) Where a new issue delivery is made against payment outside of the points fixed for the initial syndicate delivery of the issue, additional accrued interest must be charged from the delivery date at the initial syndicate delivery point of the new issue, according to the length of time normally required for delivery to the locality in which the delivery is made.
   (iii) For a mortgage-backed security transaction made during the period from the second business day before month-end to the first business day on or before the twelfth day of the following month, inclusive, delivery must take place on or after the fifteenth day of the month.

(5) Location
   (i) For any transaction between Dealer Members in the same municipality where physical delivery is to be made, the seller must complete the delivery before 4:30 p.m. on a business day.
   (ii) For any transaction between Dealer Members in different municipalities, the seller must complete the delivery on the buyer’s terms, that is the delivery is to be made by the seller free of banking or shipping charges to the buyer. Where bank drafts are drawn to arrive at their destination on a day that is not a business day, the seller is entitled to have charges paid up to the next business day after the expected arrival of the bank drafts.
(6) Good delivery

(i) Securities traded by Dealer Members must be good delivery securities. Therefore, they must have the necessary endorsements, guarantees or both, and meet all legal and regulatory requirements so that their titles can be transferred by delivery to the buyer on settlement date. The seller must obtain them and include them with the delivery.

(ii) Good delivery securities may consist of bearer bonds or debentures or registered bonds or debentures.

(iii) For good delivery, securities that can be traded as actual certificates or as certificates of deposit, delivery must be made in the form of actual certificates, unless stated otherwise at the time of the transaction.

(iv) For good delivery, the bonds or debentures are to be of a maximum denomination of $100,000 par value, unless agreed to otherwise by the buyer.

(v) For good delivery, if a power of attorney is necessary for the certificates, one power of attorney for each certificate is required, unless the buyer has agreed otherwise to accept an amalgamated power of attorney.

(vi) For good delivery, if definitive certificates are not available interim certificates may be used. However, once definitive certificates are available interim certificates may not be used, unless the Dealer Members agree otherwise.

(vii) Good delivery securities may consist of the following, provided that is it acceptable to the transfer agent:

(a) bonds or debentures registered in the name of an individual, properly endorsed and with endorsement guaranteed by a Dealer Member in good standing of the Corporation or an exchange in Canada or the United States, or by a chartered bank or qualified Canadian trust company,

(b) bonds or debentures registered in the name of a Dealer Member or nominee of a Dealer Member and properly endorsed,

(c) bonds or debentures registered in the name of a member of an exchange in Canada or the United States and properly endorsed,

(d) bonds or debentures registered in the name of a chartered bank or qualified Canadian trust company or the nominee of a chartered bank or qualified trust company and properly endorsed.

(7) Not good delivery

(i) A mutilated or torn certificate or coupon unless acceptable to the receiving Dealer Member.

(ii) A certificate registered in the name of a firm or corporation that has made an assignment for the benefit of creditors or has been declared bankrupt.

(iii) A certificate signed by a trustee or administrator unless accompanied by sufficient evidence of authority to sign.

(iv) A certificate with documents attached other than a registered bond of an issue available in registered form only, with completed power of attorney to transfer attached. (One power of attorney for each certificate or an amalgamated power of attorney if acceptable to receiving broker or dealer).
(v) A certificate which has been altered or erased (other than by the transfer agent) whether or not such alteration or erasure has been guaranteed.

(vi) A certificate on which the assignment or substitute attorney has been altered or erased.

(vii) A certificate with the next maturing coupon or subsequent coupons detached unless where so traded or where a certificate cheque (if for $1,000 or more) payable to the receiving Dealer Member, dated no later than the date of delivery and for the amount of the coupon missing, is attached to the certificate in question.

(viii) A bond or debenture, registered as to principal only, which after being transferred to bearer, does not bear the stamp and signature of the trustee.

(ix) A registered bond or debenture unless it bears a certificate that provincial tax has been paid where applicable.

(x) A certificate that has a stop transfer placed against it, the stop having been placed prior to delivery being made to the receiving dealer or broker.

(8) Prior to notice of call

(i) Sales or purchases of securities prior to notice of call in part but not in full and undelivered on date of such notice, must be completed on the basis of the original transaction. Date of notice is the date of the notice of call irrespective of the date of publication of such notice. Called securities do not constitute good delivery unless the transaction is so designated at its inception.

(ii) Sales or purchases of securities prior to notice of call in full and undelivered at time of such notice must be completed on the terms of the original transaction.

4806. Fixed income redemption payment

(1) A Dealer Member must not pay to a client regarding any maturity the redemption price or other amount due on redemption of such securities where the price or amount exceeds $100,000, unless:

(i) the Dealer Member has first received an amount equal to such price or other amount from the issuer or its agent by cheque certified by or accepted without qualification by a chartered bank, or

(ii) the Dealer Member has first received or is credited an amount equal to such price or other amount through the facilities of CDS or Depository Trust Company.

PART A.2 – STOCK TRANSACTIONS

4807. Stock trading units

(1) Section 4807 applies to all transactions between Dealer Members regardless of the Districts the Dealer Members are in.

(2) In section 4807 “trading units” is defined as follows:

(i) Common and preferred shares not listed on an exchange in Canada or the United States:

(a) in lots of 500 shares, if market price per share is below $1,

(b) in lots of 100 shares, if market price per share is at $1 and below $100, or

(c) in lots of 50 shares, if market price per share is at $100 or above.
(3) A Dealer Member calling a market shall be obliged to trade trading units if called upon to trade, unless prefixed by some qualifying phrase. Any amount less than one trading unit will be considered as an “odd lot”.

(4) Any Dealer Member asking the size of a stated market must be prepared to buy or sell at least a trading unit at the price quoted if immediately requested to do so by the Dealer Member calling the market.

(5) Any Dealer Member that has been requested to call a market has the option to trade an odd lot at the called market (if so requested) or to adjust its market to compensate for the smaller amount involved.

4808. Stock delivery

(1) All trades are to be considered for regular delivery (defined in subsection 4808(2)), unless otherwise agreed to in writing by the parties to a transaction at the time of the transaction.

(2) In section 4808 “regular delivery” is defined as:
   (i) Exchange-listed shares
       (a) The settlement date generally accepted according to industry practice for the shares in the market in which the transaction occurs, including foreign jurisdictions.
   (ii) Unlisted registered shares
       (a) The settlement date generally accepted according to industry practice for the shares in the market in which the transaction occurs, including foreign jurisdictions.
       (b) For transactions between Dealer Members in shares that occur one business day before the record date, the shares must be traded ex dividend, ex rights, or ex payments.
       (c) For transactions between Dealer Members in shares that are not ex dividend, ex rights, or ex payments at the time the transaction occurs and delivery is not completed before twelve o'clock noon (12 p.m.) at a transfer point on the date of the closing of the transfer agent’s books, the seller is responsible to the buyer for the payment of such dividends or payments, and delivery of such rights, as may be involved, on their due dates. For the purposes of this sub-clause 4808(2)(ii)(c), where the record date falls on a Saturday or other non-business day, the business day prior to the record date is to be treated as the effective record date.

(3) New issues delivery
   (i) The regular delivery requirements in subsection 4808(2) are not intended to interfere in any way with the common practice of dealing in new issues during the period of primary distribution. However, the regular delivery requirements will come into effect on the appropriate number of business days prior to the new issue being first available for physical delivery.

(4) Location
   (i) For any transaction between Dealer Members in the same municipality, delivery should be advised by 11:30 a.m. on the fourth business day after a transaction takes place.
(ii) For any transaction between Dealer Members located in different municipalities, delivery should be received by the buyer by the expiration of the fourth business day after the transaction takes.

(5) Good delivery

(i) Securities traded by Dealer Members must be good delivery securities. Therefore, they must have the necessary endorsements, guarantees or both, and meet all legal and regulatory requirements so that their titles can be transferred by delivery to the buyer on settlement date. The seller must obtain them and include them with the delivery.

(ii) Certificates registered in the name of:

(a) an individual, must be endorsed by the registered holder in exactly the same manner as registered and the endorsement guaranteed by a Dealer Member or by a member of an exchange in Canada or the United States or by a chartered bank or qualified Canadian trust company. Where the endorsement does not exactly correspond to the registration shown on the face of the certificate, a certification by a Dealer Member, a member of an exchange in Canada or the United States, a chartered bank or a qualified Canadian trust company that the two signatures are the same person’s is required,

(b) a Dealer Member or a member of an exchange in Canada or the United States or a nominee of either and properly endorsed,

(c) a chartered bank or qualified Canadian trust company or the nominee of a chartered bank or qualified Canadian trust company and properly endorsed by a Dealer Member, or

(d) any other manner providing it is properly endorsed and the endorsement is guaranteed by a Dealer Member or by a member of an exchange in Canada or the United States or by a chartered bank or qualified Canadian trust company.

(iii) Certificates in board lot denominations (or less) as required by the exchange on which the stock is traded. Unlisted stocks should also be in denominations similar to listed stocks in the same category and price range.

(6) Not good delivery

(i) A mutilated or torn certificate or coupon unless acceptable to receiving broker or dealer.

(ii) A certificate registered in the name of a firm or corporation that has made an assignment for the benefit of creditors or has been declared bankrupt.

(iii) A certificate signed by a trustee or administrator unless accompanied by sufficient evidence of authority to sign.

(iv) A certificate with documents attached other than a registered bond of an issue available in registered form only, with completed power of attorney to transfer attached. (One power of attorney for each certificate or an amalgamated power of attorney if acceptable to receiving broker or dealer).

(v) A certificate that has been altered or erased (other than by the transfer agent) whether or not such alteration or erasure has been guaranteed.

(vi) A certificate on which the assignment or substitute attorney has been altered or erased.
(vii) A registered stock unless it bears a certificate that provincial tax has been paid where applicable.

(viii) A certificate that has a stop transfer placed against it, the stop having been placed prior to delivery being made to the receiving dealer or broker.

(7) Prior to notice of call

(i) Sales or purchases of securities prior to notice of call in part but not in full and undelivered on date of such notice, must be completed on the basis of the original transaction. Date of notice is the date of the notice of call irrespective of the date of publication of such notice. Called securities do not constitute good delivery unless the transaction is so designated at its inception.

(ii) Sales or purchases of securities prior to notice of call in full and undelivered at time of such notice must be completed on the terms of the original transaction.

4809. Stock dividend claims

(1) No Dealer Member shall make a certificate claim for dividends against another Dealer Member if the amount of such claim would be $5.00 or less.

PART A.3 - BUY-IN TRANSACTIONS

4810. Buy-ins

(1) Buy-ins must be made within the times, using the notices prescribed, and according to Corporation requirements. For the purposes of clauses 4810(1)(i) through 4810(1)(v) a "regular delivery transaction" is deemed to have taken place once the Dealer Members involved have agreed on a price.

(i) For transactions between Dealer Members in the same municipality, where the seller does not advise the buyer about the delivery by 11:30 a.m. on the fourth business day after a regular delivery transaction:

(a) The buyer may at his or her option buy-in the securities, where the buyer intends to buy-in the securities, the buyer must give written notice to the seller and to the Corporation on that day, or any subsequent business day, prior to 3:30 p.m., of his or her intention to buy-in for cash on the second business day after the original notice.

(b) The notice is deemed to automatically renew itself from business day to business day from 11:30 a.m. until closing until the transaction is finally completed.

(c) Where the buy-in is not executed on the second business day after the original notice, the seller has the privilege of advising the buyer each subsequent day before 11:30 a.m. of his or her ability, and intention, to make either whole or partial delivery on that day.

(ii) For transactions between Dealer Members in different municipalities, where delivery has not been received by the buyer at the expiration of four business days after the transaction takes place, on or after the fourth business day:

(a) The buyer may at his or her option buy-in the securities, where the buyer intends to buy-in the securities, the buyer must give written notice to the seller and to the
Corporation on that day by 12 p.m. (the seller’s time) his or her intention to buy-in for cash on the third business day after the original notice.

(b) Where the seller has not advised the buyer in writing by 5 p.m. (the buyer’s time) on the day after the original notice that the securities covered by the buy-in have passed through his or her clearing and are in transit to the buyer, the buyer may proceed to execute the buy-in on the third business day after the original notice.

(c) The notice is deemed to automatically renew itself from business day to business day and the seller forfeits all rights to complete delivery other than the portion of the transaction that is in transit by the day following the receipt of the original notice. The buyer may at his or her option allow the seller to complete delivery of any remaining portion of the transaction.

(iii) Any Dealer Member who is bought-in may demand evidence that a bona fide transaction has taken place involving the delivery of the bought-in securities. The Dealer Member who is bought-in has the right, to deliver such part of his or her commitment according to clauses 4810(1)(i) and 4810(1)(ii) and must complete any such delivery to the nearest $1,000 par value, or stock trading unit.

(iv) The Corporation has the authority to postpone the execution of a buy-in from day to day, and to combine buy-ins in the same security, and to decide any dispute arising from the execution of the buy-in, and its decision is final and binding.

(v) When a buy-in has been completed the buyer must submit to the seller a statement of account showing:

(a) as credits, the amount originally contracted for as payment for the securities, and

(b) as debits, the amount paid on buy-in, the cost of the buyer’s communication charges relative to the buy-in, and any bank or shipping charges incurred.

Where there is a credit balance remaining, the buyer must pay this amount to the seller, and where there is a debit balance remaining, the seller must pay this amount to the buyer.

4811. – 4849. Reserved.

PART B - ACCOUNT TRANSFERS AND BULK ACCOUNT MOVEMENTS

4850. Introduction

(1) Part B.1 of Rule 4800 describes the Corporation’s requirements for transferring accounts between Dealer Members to ensure these transfers are completed promptly.

(2) Part B.2 of Rule 4800 describes the Corporation’s exemption authority with regards to bulk account movements.

4851. Definitions

(1) The following terms have the meaning set out below when used in Part B of Rule 4800:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>“account transfer”</td>
<td>A client account transfer, at the request of or with the authority of the client, from one Dealer Member to another Dealer Member.</td>
</tr>
<tr>
<td>“delivering Dealer Member”</td>
<td>The Dealer Member from which the client account is being transferred or moved.</td>
</tr>
</tbody>
</table>
“partial account” | Less than the total assets and balances in a client account held by a delivering Dealer Member.

“receiving Dealer Member” | The Dealer Member to which the client account is being transferred or moved.

“recognized depository” | A Corporation recognized clearing corporation or depository that is considered an acceptable securities location.

PART B.1 - ACCOUNT TRANSFERS

4852. Transferring a full or partial account
(1) A Dealer Member transferring a full or partial account must comply with Part B.1 of Rule 4800.

4853. Transfer through a recognized depository
(1) Whenever possible, a Dealer Member transferring a client account must transfer that account through a recognized depository.

4854. Communications between Dealer Members
(1) Communications between Dealer Members must take place by electronic delivery through CDS’s account transfer facility, unless both Dealer Members agree otherwise.
(2) A Dealer Member must pay its costs for delivering or receiving electronic communications done under Part B.1 of Rule 4800.
(3) A Dealer Member must select, implement, and maintain appropriate security measures to protect its electronically delivered communications.
(4) Dealer Member acknowledgement and indemnification:
   (i) a Dealer Member acknowledges that an electronically delivered communication it sends will be relied on by the Dealer Member receiving it,
   (ii) a Dealer Member must indemnify and save harmless other Dealer Members from any claims, losses, damages, liabilities or expenses the other Dealer Members suffer as a result of relying on its unauthorized, inaccurate, or incomplete electronic communication.

4855. Receiving Dealer Member - responsibilities for documents
(1) If a receiving Dealer Member receives a request from a client to accept an account, it must obtain written authorization from the client to transfer the account.
(2) After the client gives written authorization to the receiving Dealer Member, the receiving Dealer Member must:
   (i) promptly send a request for transfer (using an account transfer authorization form approved by the Corporation) through CDS to the delivering Dealer Member, and
   (ii) keep the original written account transfer authorization form on file.
(3) The receiving Dealer Member must ensure that the forms or documents required to transfer accounts are completed and available on the same day as the request for transfer is delivered.

4856. Delivering Dealer Member - response to request for transfer
(1) When it receives the request for transfer, the delivering Dealer Member must either:
Corporation Investment Dealer and Partially Consolidated Rules

(i) deliver to the receiving Dealer Member, by the specified return date, the asset list for the client account being transferred, or
(ii) reject the request for transfer if the client account information is unknown to the delivering Dealer Member or is incomplete or incorrect.

(2) The return date in clause 4856(1)(i) must be no later than two clearing days after the date that the delivering Dealer Member received the request for transfer.

4857. Asset transfer

(1) Within one clearing day after the specified return date the delivering Dealer Member must commence, or cause CDS’s account transfer facility to implement automatically, the transfer of the assets through CDS.

(2) Any assets that cannot be transferred through a recognized depository must be settled:
   (i) over-the-counter,
   (ii) by other standard industry practices, or
   (iii) by other appropriate means agreed between the receiving Dealer Member and the delivering Dealer Member.

   The time limits in subsection 4857(1) apply.

4858. Transfer impediment

(1) If there is an impediment to the requested transfer of an account asset, the delivering Dealer Member must promptly notify the receiving Dealer Member, identifying the asset and the reason for the inability to deliver.

(2) The receiving Dealer Member must get client instructions or directions concerning the asset, and deliver them to the delivering Dealer Member.

(3) The balance of the client’s assets must be transferred according to Part B.1 of Rule 4800.

4859. Failure to settle

(1) If the delivering Dealer Member fails to settle an asset transfer in a client account within 10 clearing days of receipt of the request for transfer, the receiving Dealer Member may complete the account transfer, at its option, by:
   (i) buying-in the unsettled position in accordance with section 4810,
   (ii) lending the security to the delivering Dealer Member through a recognized depository and simultaneously transferring the same security into the client account, or
   (iii) making other mutually agreed arrangements with the delivering Dealer Member so that the account transfer can be considered completed.

(2) Any loan in clause 4859(1)(ii) must be marked to market and the assets will be considered delivered to the receiving Dealer Member to settle the account transfer.

4860. Non-certificated mutual funds

(1) Non-certificated mutual fund securities are considered transferred when the delivering Dealer Member delivers to the receiving Dealer Member:
   (i) a completed mutual fund transfer form, and
(ii) a completed and signed power of attorney, or
(iii) by entry of transfer instructions in the electronic account transfer facility of FundSERV Inc.

4861. Interest or dividend receipt balances

(1) Interest or dividend receivable balances must be settled promptly between a delivering Dealer Member and receiving Dealer Member. Despite any failure to settle these balances, a Dealer Member must comply with the account transfer procedures in Part B.1 of Rule 4800.

4862. Margin

(1) A Dealer Member must not accept an account transfer from another Dealer Member if the account has a margin deficiency.

(2) Subsection 4862(1) does not apply if at the account transfer time the receiving Dealer Member has sufficient funds or collateral to the client’s credit available to cover the account’s margin deficiency.

4863. Responsibility for margining account

(1) The receiving Dealer Member assumes the responsibility for the margining of transferred account money balances and assets on the date or dates the money balances or assets are received.

4864. Fees and charges

(1) Before or at the time of account transfer, a delivering Dealer Member may deduct any fee or charge on the account in accordance with the delivering Dealer Member’s current published fee and charge schedule.

4865. Corporation exemption

(1) The Corporation may exempt a Dealer Member from the requirements of Part B.1 of Rule 4800 if the Corporation is satisfied that to do so would not prejudice the interests of the Dealer Member, its clients, or the public.

(2) In granting an exemption under subsection 4865(1), the Corporation may impose any terms and conditions it considers necessary.

PART B.2 - BULK ACCOUNT MOVEMENTS

4866. Bulk account movements exemption

(1) In the event of a bulk account movement situation, where a Dealer Member is receiving in a significant number of client accounts, the Corporation may grant the Dealer Member an exemption from the applicable account opening requirement completion timelines.

(2) The Corporation will grant such exemption if it is satisfied that to do so would not prejudice the interests of the Dealer Member’s clients, the public or the Dealer Member.

(3) In granting such an exemption under subsection 4866(1), the Corporation may impose any terms and conditions it considers necessary.

4867. – 4899. Reserved.
RULE 4900 | OTHER INTERNAL CONTROL REQUIREMENTS – DERIVATIVES RISK MANAGEMENT

4901. Introduction
   (1) Rule 4900 sets out the internal control requirements for Derivative risk management.

4902. - 4909. Reserved.

DERIVATIVES RISK MANAGEMENT

4910. Introduction
   (1) A Dealer Member must have an independent risk management function to:
       (i) manage the risks resulting from its use of derivatives, which include exchange and over-the-counter traded derivatives,
       (ii) ensure that an appropriate Executive that reports to the board of directors understands all risks, and
       (iii) ensure that its risk adjusted capital is calculated properly.

4911. Reserved.

4912. Risk management process
   (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.

4913. Role of board of directors
   (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.

4914. Role of an appropriate Executive
   (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.

4915. Pricing

(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.

4916. – 4999. Reserved.
SERIES 5000 | DEALER MEMBER MARGIN RULES

RULE 5100 | MARGIN REQUIREMENTS - APPLICATION AND DEFINITIONS

5101. Introduction

(1) Rule 5100:
   (i) describes the purposes and general application of Dealer Member inventory margin and client account margin (as defined in section 5130) requirements [sections 5110 through 5117],
   (ii) sets out the process for determining the appropriate margin rate to use when a rate is not specified within the rules [section 5120], and
   (iii) sets out the definitions used within Rules 5200 through 5900 [section 5130].

5102. - 5109. Reserved.

5110. Margin requirements - purposes

(1) The purposes of margin requirements are to:
   (i) ensure that the maximum leverage levels extended to clients through the execution of a transaction or a trading strategy are appropriate,
   and
   (ii) set base line market and credit risk requirements that a Dealer Member must adhere to when engaging in proprietary trading or client account margin lending.

(2) Sections 5111 through 5117 describe how the margin requirements apply, generally, as well as specifically to both Dealer Member inventory and client account positions.

5111. Margin requirements - general application

(1) A Dealer Member must:
   (i) obtain from and maintain for each of its clients, and
   (ii) maintain for its own inventory accounts, minimum margin in the amount and manner prescribed by the Corporation.

(2) A Dealer Member must calculate client account margin, and if such margin is not provided by the client, the Dealer Member must provide margin against the shortfall, and include the amount as client account margin when calculating its risk adjusted capital.

(3) A Dealer Member must calculate and provide Dealer Member inventory margin for its own positions and indicate the amount as margin on securities owned and sold short when calculating its risk adjusted capital.

(4) In Rules 5200 through 5900, unless stated otherwise, margin rates are expressed as a percentage of the market value of the security or derivative position for which margin is being calculated.

5112. Application of margin requirements - Dealer Member inventory positions

(1) Section 5112 describes the calculations for determining margin requirements for long and short positions in Dealer Member inventory. It applies to Rules 5200 through 5900.
(2) **Dealer Member long inventory margin**

A *Dealer Member* must provide margin for its long inventory positions in the amount calculated according to the formula:

(i) applicable margin rate \( \times \) *market value* of security, or

(ii) by any alternative method specified in the *Corporation requirements*.

(3) **Dealer Member short inventory margin**

A *Dealer Member* must provide margin for its short inventory positions in the amount calculated according to the formula:

(i) applicable margin rate \( \times \) *market value* of security (expressed as absolute value), or

(ii) by any alternative method specified in the *Corporation requirements*.

### 5113. Application of margin requirements - client account positions

(1) Section 5113 describes the calculations for determining margin requirements for long and short positions in client accounts. It applies to Rules 5200 through 5900.

(2) **Client accounts - loan value of long positions**

The *loan value* of a long position is generally calculated according to the formula:

(i) \([100\% - \text{applicable margin rate} \%] \times \text{positive market value}\) of the security, or

(ii) by any alternative method specified in the *Corporation requirements*.

(3) **Client accounts - loan value of short positions**

The *loan value* of a short client position is generally calculated according to the formula:

(i) \([100\% + \text{applicable margin rate} \%] \times \text{negative market value}\) of security, or

(ii) by any alternative method specified in the *Corporation requirements*.

(4) **Net loan value and status of a client account**

(i) The positive and negative *loan values* in a client margin account must be totalled.

(ii) If the total *loan value* in a client account results in a net positive *loan value*, the client may have a debit cash balance no larger than the positive *loan value* amount for the account to be in good standing.

(iii) If the total *loan value* in a client account results in a net negative *loan value*, the cash balance in the margin account must be a credit equal to or larger than the net negative *loan value* for the account to be in good standing.

(iv) If a client does not bring its account into good standing by depositing the required amount of margin into its account, subsection 5111(2) applies.

### 5114. Client securities that are collateral for a margin debt

(1) If a client is in debt to a *Dealer Member*, all securities the *Dealer Member* holds for the client, up to an amount that reasonably covers the margin debt, are collateral for payment of the debt.

(2) The securities a *Dealer Member* holds under subsection 5114(1) are collateral security subject to Form 1, Schedule 4 and to any agreement between the *Dealer Member* and the client.

### 5115. Dealer Member’s rights in securities of indebted clients

(1) A *Dealer Member* has the right to:
(i) raise money on,
(ii) carry in its general loans, and
(iii) pledge and repledge,
the client securities it holds as collateral under section 5114.

5116. **Dealer Member may buy or sell client securities**

(1) If a *Dealer Member* considers it necessary for its credit risk protection, it may:

(i) buy securities held short for an indebted client, or
(ii) sell securities it holds for an indebted client.

5117. **Dealer Member’s right to recover from indebted client**

(1) A *Dealer Member* may recover the amount of the debt from an indebted client with or without realizing on any of the client’s securities.

5118. - 5119. **Reserved.**

5120. **Margin requirements - when a rate is not specified**

(1) Where a security position is held in either the *Dealer Member’s* inventory or in a client account for which a margin rate or requirement is not specified within the *Corporation requirements*, the *Dealer Member* must obtain a margin rule interpretation from *Corporation* staff specifying the margin rate or requirement to be used.

5121. - 5229. **Reserved.**

5130. **Definitions**

(1) In Rules 5100 through 5900, unless stated otherwise, any term used that is not defined here or in the Rule where it is used, but is defined or used in Form 1, has the meaning defined or used in Form 1.

(2) For all positions subject to margin, the term:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>“client account margin”</td>
<td>(i) A minimum percentage of a security’s or derivative contract’s market value, or&lt;br&gt; (ii) a calculated dollar amount that a client must deposit with a <em>Dealer Member</em> when borrowing from the <em>Dealer Member</em> to buy securities or to sell securities short or to enter into the derivative contract.</td>
</tr>
<tr>
<td>“Dealer Member inventory margin”</td>
<td>(i) A minimum percentage of a security’s or derivative instrument’s market value, or&lt;br&gt; (ii) a calculated dollar amount that a <em>Dealer Member</em> must provide when calculating its risk adjusted capital.</td>
</tr>
<tr>
<td>“equivalent number” or “equivalent quantity” or “equivalent quantities”</td>
<td>(i) A position with the same underlying number of shares, units of the same issuer, &lt;br&gt; (ii) <em>futures contracts</em> based on the same underlying number of shares, units of the same issuer, or</td>
</tr>
</tbody>
</table>
(iii) a position with the same currency denomination and *market value*, as the offset or combination position with which it is paired.

**“loan value”**

The complement of the *client account margin* and is the maximum a *Dealer Member* may loan to a client for a particular security or *derivative* position.

**“normal margin” or “normal margin required”**

Margin otherwise required in Rules 5200 through 5900.

**“underlying interest” or “underlying security” or “underlying basket of securities”**

In the case of:

(i) a *convertible security*, the security to be received upon invoking the conversion or exchange feature,

(ii) an *exercisable security*, the security to be received upon invoking the exercise feature,

(iii) an *index participation unit*, the basket of securities to be received upon invoking the conversion or exchange feature,

(iv) an *installment receipt*, the security that has been purchased on an installment basis by the holder of the *installment receipt*,

(v) residual debt securities and strip debt securities, the *debt security* used to create the residual debt securities and strip debt securities,

(vi) currency *options*, the currency referenced by the *option*,

(vii) equity, *index participation unit* and debt *options*, the security referenced by the *option*,

(viii) *index options*, the *index* referenced by the *option*, and

(ix) a *total performance swap*, the security or basket of securities on which the swap is based.

(3) For positions in and offsets involving *debt securities* and related instruments, the term:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>“acceptable commercial, corporate and finance company notes”</td>
<td>Notes issued by a company that meet the requirements in subsection 5220(2).</td>
</tr>
<tr>
<td>“call protection period”</td>
<td>The period of time during which the issuer cannot redeem a <em>callable debt security</em>.</td>
</tr>
<tr>
<td>“callable debt security”</td>
<td>A <em>debt security</em> which can be redeemed by the issuer at a fixed price at any time other than during the <em>call protection period</em>.</td>
</tr>
<tr>
<td>“Canada debt securities”</td>
<td>Bonds, debentures, treasury bills, notes and certain other non-commercial <em>debt securities</em> not in default that are issued or guaranteed by the government of Canada.</td>
</tr>
<tr>
<td>“Canada Municipal debt securities”</td>
<td>Bonds, debentures, treasury bills, notes and certain other non-commercial <em>debt securities</em> not in default that are issued or guaranteed by a Canadian municipal government.</td>
</tr>
<tr>
<td>Term</td>
<td>Description</td>
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<td>------</td>
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</tr>
<tr>
<td>“Canada Provincial debt securities”</td>
<td>Bonds, debentures, treasury bills, notes and certain other non-commercial debt securities not in default that are issued or guaranteed by a Canadian provincial government.</td>
</tr>
<tr>
<td>“Canada Provincial residuals”</td>
<td>A residual portion from a debt security issued or guaranteed by a Canadian province.</td>
</tr>
<tr>
<td>“Canada Provincial strips”</td>
<td>A strip coupon from a debt security issued or guaranteed by a Canadian province.</td>
</tr>
<tr>
<td>“Canada residuals”</td>
<td>A residual portion from a debt security issued or guaranteed by the Government of Canada.</td>
</tr>
<tr>
<td>“Canada strips”</td>
<td>A strip coupon from a debt security issued or guaranteed by the Government of Canada.</td>
</tr>
<tr>
<td>“Canadian banker acceptance futures contract”</td>
<td>A three month Canadian bankers acceptance futures contract that trades on the Bourse de Montreal under the “BAX” trading symbol.</td>
</tr>
<tr>
<td>“extendible debt security”</td>
<td>A debt security which allows a Dealer Member holder, during a fixed time period, to: (i) extend the security’s maturity date to the extension maturity date, and (ii) change the principal amount of the security by a fixed percentage (the extension factor) of the original principal amount.</td>
</tr>
<tr>
<td>“extension election period”</td>
<td>The period of time during which a Dealer Member holder may elect to: (i) extend the maturity date, and (ii) change the principal amount, of an extendible debt security.</td>
</tr>
<tr>
<td>“extension factor”</td>
<td>The fixed percentage used to change the original principal amount of an extendible debt security, if any.</td>
</tr>
<tr>
<td>“floating rate debt obligation”</td>
<td>A debt security of either a government issuer that otherwise meets the requirements under subsection 5210(1) or a corporate issuer that otherwise meets the requirements under subsection 5220(1), with terms that provide for interest rate adjustments at least quarterly with reference to an interest rate set for a term of 90 days or less.</td>
</tr>
<tr>
<td>“low current credit rating”</td>
<td>A current credit rating of “B” or lower by a designated rating organization.</td>
</tr>
<tr>
<td>“maturity band”</td>
<td>The range of years within which the debt security subject to margin matures.</td>
</tr>
<tr>
<td>“retractable debt security”</td>
<td>A debt security which allows the Dealer Member holder, during a fixed time period, to: (i) retract the security’s maturity date to the retraction maturity date, and (ii) change the principal amount of the security by a fixed percentage (the retraction factor) of the original principal amount.</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>------</td>
<td>------------</td>
</tr>
</tbody>
</table>
| "retraction election period" | The period of time during which a holder may elect to:  
(i) retract the maturity date, and  
(ii) change the principal amount of a retractable debt security. |
| "retraction factor" | The fixed percentage used to change the original principal amount of a retractable debt security, if any. |
| "United States debt securities" | Bonds, debentures, treasury bills, notes and certain other non-commercial debt securities not in default that are issued or guaranteed by the government of the United States. |

(4) For positions in and offsets involving equity and equity index securities and rights and warrants, the term:

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>&quot;basic margin requirement&quot;</td>
<td>A customized security specific margin rate for a security that is based on the security’s traded price per share.</td>
</tr>
<tr>
<td>&quot;Canada and United States listed equity securities eligible for margin&quot;</td>
<td>Securities (other than bonds, debentures, rights and warrants) listed on any acceptable exchange or market tier in Canada or the United States with adequate minimum pre-tax profit, net tangible asset and working capital requirements, as determined by the Corporation.</td>
</tr>
</tbody>
</table>
| "Canada and United States unlisted equity securities eligible for margin" | Unlisted:  
(i) equity securities of insurance companies licensed to do business in Canada,  
(ii) equity securities of Canadian banks,  
(iii) equity securities of Canadian trust companies,  
(iv) senior equity securities of other Canadian and United States listed companies,  
(v) equity securities which qualify as legal for investment by Canadian life insurance companies, without recourse to the basket clause, and  
(vi) equity securities which have received conditional approval to list on an acceptable exchange in Canada within the last 90 days. |
| "control block" | A person’s or combination of persons’ holdings of an issuer’s securities in sufficient number to materially affect control of that issuer. If a person or combination of persons holds over 20% of the outstanding voting securities of an issuer that person or combination of persons must, absent evidence to the contrary, be considered to materially affect control of that issuer. |
| "floating rate preferred share" | A special or preferred share with terms that provide for dividend rates that fluctuate at least quarterly in tandem with a prescribed short term interest rate. |
| "foreign listed equity securities eligible for margin" | Securities (other than bonds, debentures, rights and warrants) listed on an acceptable exchange outside of Canada and the United States that are constituent securities for the exchange’s major widely quoted market index, and the index is on the Corporation’s list of foreign market indices whose constituent securities are eligible for margin. |
### “future payments”
- The unpaid payments of the purchase price for an underlying security of an installment receipt.

### “government guaranteed equity securities”
- Equity securities where the payment of all dividends, redemption amounts, or other return of capital to holder is unconditionally guaranteed by Government of Canada or by a provincial government.

### “installment receipt”
- A security issued by or for an issuer or selling security holder that:
  1. evidences partial payment for an underlying security of an installment receipt, and
  2. requires one or more subsequent payments by installment, to entitle the holder of the installment receipt to delivery of the underlying security of an installment receipt.

### (5) For positions in underwriting commitments and positions traded on a when issued basis, the term:

| “appropriate documentation” | With respect to the portion of the commitment where expressions of interest have been received from exempt purchasers means, at a minimum:
| | (i) that the lead underwriter has a record of the final affirmed exempt purchaser allocation indicating for each expression of interest:
| | (a) the name of the exempt purchaser,
| | (b) the name of the employee of the exempt purchaser accepting the amount allocated, and
| | (c) the name of the representative of the lead underwriter responsible for affirming the amount allocated to the exempt purchaser, time stamped to indicate date and time of affirmation and,
| | (ii) that the lead underwriter has notified in writing all the banking group participants when the entire allotment to exempt purchasers has been affirmed pursuant to clause (i) above so that all banking group participants may take advantage of the reduction in the margin requirement.
| | Under no circumstances may the lead underwriter reduce its own margin requirement on a commitment due to such expressions of interest from exempt purchasers without providing notification to the rest of the banking group.

| “commitment” | Pursuant to an underwriting agreement or banking group agreement to purchase a new issue of securities or a secondary issue of securities means, where all other non-pricing agreement terms have been agreed to, where two of the following three pricing terms have been agreed to:
| | (i) issue price,
| | (ii) number of shares, or
| | (iii) commitment amount (issue price x number of shares).
<table>
<thead>
<tr>
<th>Term</th>
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</thead>
<tbody>
<tr>
<td>“disaster out clause”</td>
<td>A provision in an underwriting agreement substantially in the following form: “The obligations of the Underwriter (or any of them) to purchase (the Securities) under this agreement may be terminated by the Underwriter (or any of them) at its option by written notice to that effect to the Company at any time prior to the Closing if there should develop, occur or come into effect or existence any event, action, state, condition or major financial occurrence of national or international consequence or any law or regulation which in the opinion of the Underwriter seriously adversely affects, or involves, or will seriously adversely affect, or involve, the financial markets or the business, operations or affairs of the Company and its subsidiaries taken as a whole.”</td>
</tr>
<tr>
<td>“exempt purchaser”</td>
<td>An accredited investor that qualifies as an institutional client.</td>
</tr>
<tr>
<td>“market out clause”</td>
<td>A provision in an underwriting agreement which permits an underwriter to terminate its obligation to purchase in the event of unsalability due to market conditions, substantially in the following form: “If, after the date hereof and prior to the Time of Closing, the state of financial markets in Canada or elsewhere where it is planned to market the Securities is such that, in the reasonable opinion of the Underwriters (or any of them), the Securities cannot be marketed profitably, any Underwriter shall be entitled, at its option, to terminate its obligations under this agreement by notice to that effect given to the Company at or prior to the Time of Closing.”</td>
</tr>
<tr>
<td>“new issue letter”</td>
<td>An underwriting loan facility in a form satisfactory to the Corporation.</td>
</tr>
</tbody>
</table>
| “normal new issue margin”                  | (i) Where, in the case of an equity security, the market value is $2.00 per share or more and the equity security qualifies for inclusion on the List of Securities Eligible for Reduced Margin, 60% of normal margin for the period from the date of commitment to the business day prior to settlement date and 100% of normal margin from settlement date on,  
(ii) where, in the case of an equity security, the market value of the security is $2.00 per share or more and the security does not qualify for inclusion on the List of Securities Eligible for Reduced Margin, 80% of normal margin for the period from the date of commitment to the business day prior to settlement date and 100% of normal margin from settlement date on, or  
(iii) in all other instances, 100% of normal margin. |
| “trading on a when issued basis”           | Purchases or sales of a security to be issued under: (i) a prospectus offering if a receipt for a (final) prospectus for the security has been issued but the offering has not closed and settled,  
(ii) a proposed plan of arrangement, an amalgamation, or a take-over bid, prior to the date the security is issued under the amalgamation, arrangement or take-over bid, or |
(iii) any other transaction that is subject to the satisfaction of certain conditions, provided that the trading of the security on a when issued basis would not contravene securities laws.

(6) For positions in and offsets involving *capital shares*, *convertible securities* and *exercisable securities*, the term:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>“capital share”</td>
<td>A share issued by a <em>split share company</em> that represents all or most of the capital appreciation part of an underlying common share.</td>
</tr>
<tr>
<td>“capital share conversion loss”</td>
<td>Any excess of the <em>market value</em> of a capital share position over its retraction value.</td>
</tr>
<tr>
<td>“combined conversion loss”</td>
<td>Any excess of the combined <em>market value</em> of positions in <strong>capital shares</strong> and <strong>split share preferred shares</strong> over their combined retraction value.</td>
</tr>
<tr>
<td>“conversion loss”</td>
<td>Any excess <em>market value</em> of a convertible security position over the <em>market value</em> of the equivalent number of underlying securities.</td>
</tr>
<tr>
<td>“convertible security”</td>
<td>A convertible security, exchangeable security or any other security that entitles the holder to acquire another security, the <em>underlying security</em>, upon exercising a conversion or exchange feature.</td>
</tr>
<tr>
<td>“currently convertible”</td>
<td>A security that is:</td>
</tr>
<tr>
<td></td>
<td>(i) convertible within 20 <em>business days</em> into another security, the <em>underlying security</em>, or</td>
</tr>
<tr>
<td></td>
<td>(ii) convertible after the expiry of a specific period into another security, the <em>underlying security</em>, and the Dealer Member or client has entered into a term securities borrowing agreement, which includes the minimum agreement terms specified in subsection 5840(3), enabling a borrow of the <em>underlying security</em> for the entire period from the current date until the expiry of the specific period until conversion.</td>
</tr>
<tr>
<td>“currently exercisable”</td>
<td>A security that is exercisable into the <em>underlying security</em>:</td>
</tr>
<tr>
<td></td>
<td>(i) exercisable within 20 <em>business days</em> into another security, the <em>underlying security</em>, or</td>
</tr>
<tr>
<td></td>
<td>(ii) exercisable after the expiry of a specific period into another security, the <em>underlying security</em>, and the Dealer Member or client has entered into a term securities borrowing agreement, which includes the minimum agreement terms specified in subsection 5840(3), enabling a borrow of the <em>underlying security</em> for the entire period from the current date until the expiry of the specific period until exercise.</td>
</tr>
<tr>
<td>“exercisable security”</td>
<td>A warrant, right, <em>installment receipt</em>, or any other security entitling the holder to acquire the <em>underlying security</em> after making an exercise or subscription payment.</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>------</td>
<td>------------</td>
</tr>
<tr>
<td>“exercise loss”</td>
<td>Any excess of the sum of the market value of an exercisable security position and its exercise or subscription payment requirement over the market value of the equivalent number of underlying securities.</td>
</tr>
<tr>
<td>“Newco securities”</td>
<td>Securities of a successor issuer or issuers resulting from an amalgamation, acquisition, spin-off or any other securities related reorganization transaction.</td>
</tr>
<tr>
<td>“Oldco securities”</td>
<td>Securities of a predecessor issuer or issuers resulting from an amalgamation, acquisition, spin-off or any other securities related reorganization transaction.</td>
</tr>
</tbody>
</table>
| “retraction value” | A value assigned to capital shares or a combination of capital shares and split share preferred shares, and is calculated as follows:  
(i) for capital shares:  
(a) where the capital shares can be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the excess of the market value of the underlying common shares received over the retraction cash payment to be made when retraction of the capital shares takes place,  
(b) where the capital shares cannot be tendered to the split share company for retraction directly for the underlying common shares at the option of the holder, the retraction cash payment to be received when retraction of the capital shares takes place,  
(ii) for capital shares and split share preferred shares in combination:  
(a) where the capital shares and split share preferred shares can be tendered to the split share company for retraction directly for the underlying common shares, at the option of the holder, the market value of the underlying common shares received,  
(b) where the capital shares and split share preferred shares cannot be tendered to the split share company for retraction directly for the underlying common shares at the option of the holder, the retraction cash payment to be received when retraction of the capital and split share preferred shares takes place. |
| “split share company” | A corporation formed for the sole purpose of acquiring underlying common shares and issuing its own:  
(i) capital shares based on all or most of the capital appreciation portion, and  
(ii) split share preferred shares based on all or most of the dividend income portion,  
of those underlying common shares. |
| “split share preferred share” | A share issued by a split share company that represents all or most of the dividend part of the underlying common share, and includes equity dividend shares of split share companies. |

(7) For positions in and offsets involving swaps, the term:  
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>“fixed interest rate”</td>
<td>An interest rate that is not reset at least every 90 days.</td>
</tr>
</tbody>
</table>
**Corporation Investment Dealer and Partially Consolidated Rules**

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>“floating interest rate”</td>
<td>An interest rate that is not a fixed interest rate.</td>
</tr>
<tr>
<td>“interest rate swap”</td>
<td>An agreement under which a Dealer Member is required to pay a fixed (floating) rate and entitled to receive a floating (fixed) rate amount calculated with reference to a notional amount.</td>
</tr>
<tr>
<td>“realization clause”</td>
<td>An optional clause within a total performance swap agreement which allows the Dealer Member to close out the swap agreement at the realization price (either the buy-in or sell-out price) of the security position involved in the offset.</td>
</tr>
<tr>
<td>“total performance swap”</td>
<td>An agreement under which a Dealer Member is required to pay and entitled to receive amounts calculated: (i) based on the performance of a specified underlying security or underlying basket of securities, and (ii) with reference to a notional amount.</td>
</tr>
<tr>
<td>(8) For positions in and offsets involving foreign exchange exposures, the term:</td>
<td></td>
</tr>
<tr>
<td>“foreign exchange position”</td>
<td>A monetary asset or liability including a: (i) currency spot position, (ii) futures and forward contract, (iii) swap, and (iv) any other transaction resulting in exposure to foreign exchange rate risk, that is denominated in a foreign currency.</td>
</tr>
<tr>
<td>“monetary asset or liability”, “monetary asset”, “monetary liability”</td>
<td>A Dealer Member’s asset or liability: (i) in money and claims to money, (ii) denominated in foreign or domestic currency, and (iii) that is fixed by contract or otherwise.</td>
</tr>
<tr>
<td>“net long (short) foreign exchange position”</td>
<td>The net of monetary assets and liabilities as calculated on Form 1, Schedule 11.</td>
</tr>
<tr>
<td>“spot exchange rate”</td>
<td>The rate quoted by a recognized quote vendor for contracts with a term to maturity of one day.</td>
</tr>
<tr>
<td>“term to maturity”</td>
<td>For a monetary asset or liability means the amount of time from the present to the time when the claim to the monetary asset or the obligation to satisfy the monetary liability expires.</td>
</tr>
<tr>
<td>(9) For positions in and offsets involving derivative products, the term:</td>
<td></td>
</tr>
<tr>
<td>“aggregate current value”</td>
<td>For index options: $\text{index level} \times$ 1.00 \times \text{unit of trading}</td>
</tr>
</tbody>
</table>
| “aggregate exercise value” | For options:  
| | \[
| \text{option exercise} \times \text{unit of trading}
| \]
| “at-the-money” | (i) For equity, index participation unit, debt and currency options, that the market price, and  
| | (ii) for index options, that the current value of the underlying interest is equal to the exercise price for a call option or a put option.
| “broad based index” | An equity index in which:  
| | (i) the basket of equity securities underlying the index consists of thirty or more securities,  
| | (ii) the single largest basket security position by weighting comprises not more than 20% of the overall market value of the basket,  
| | (iii) the average market capitalization associated with each security in the basket of equity securities underlying the index is at least $100 million,  
| | (iv) the basket securities shall be from a broad range of industries and market sectors as determined by the Corporation to represent index diversification, and  
| | (v) the index constituent securities are listed and traded on an acceptable exchange.
| “call option” | (i) An exchange-traded option that:  
| | (a) for equity, index participation unit, debt and currency options, gives a holder the right to buy and the writer the obligation to sell the underlying interest at a stated exercise price on or before the option expiration date, and  
| | (b) for index options, gives the holder the right to receive and the writer the obligation to pay, if the current value of the index rises above the exercise price, the difference between the aggregate exercise price and the aggregate current value of the underlying interest on or before the option expiration date,  
| | (ii) an over-the-counter option that either:  
| | (a) gives a holder the right to buy and the writer the obligation to sell the underlying interest at a stated exercise price on or before the option expiration date, or  
<p>| | (b) gives the holder the right to receive and the writer the obligation to pay, if the current value of the underlying interest rises above the exercise price, the difference between the aggregate exercise price and the current value of the underlying interest on or before the option expiration date. |</p>
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>“cumulative relative weight percentage”</td>
<td>An overall relative weight percentage determined by calculating, in accordance with subsection 5360(7), the actual basket weighting for each security in a qualifying basket of index securities in relation to its latest published relative weighting in the index.</td>
</tr>
<tr>
<td>“escrow receipt”</td>
<td>A document issued by a financial institution approved by a recognized option clearing corporation certifying that a security is held and will be delivered by that financial institution when a specified option is exercised.</td>
</tr>
<tr>
<td>“exchange-traded option”</td>
<td>A call option or put option issued by the Canadian Derivatives Clearing Corporation, the Options Clearing Corporation or any other corporation or organization recognized by the Board.</td>
</tr>
<tr>
<td>“exercise price”</td>
<td>(i) For equity, index participation unit, debt and currency options, the specified price per unit at which the underlying interest may be bought under a call option, or sold under a put option, and (ii) for index options, the specified price per unit that may be received by the holder and paid by the writer under a call option or a put option, on exercise of the option.</td>
</tr>
<tr>
<td>“floating margin rate”</td>
<td>The floating margin rate set by the Corporation in accordance with subsection 5360(5), subject to the minimum floor margin rate in subsection 5360(2).</td>
</tr>
<tr>
<td>“incremental basket margin rate”</td>
<td>The incremental basket rate for a qualifying basket of index securities calculated in accordance with subsection 5360(8).</td>
</tr>
<tr>
<td>“index”</td>
<td>Either a broad based index or a sector index.</td>
</tr>
<tr>
<td>“index futures contract”</td>
<td>An exchange-traded futures contract with an underlying interest that is an index.</td>
</tr>
<tr>
<td>“index option”</td>
<td>An exchange-traded option with an underlying interest that is an index.</td>
</tr>
<tr>
<td>“index participation unit”</td>
<td>An interest in a trust or other entity that has assets consisting of equities or other securities underlying an index.</td>
</tr>
<tr>
<td>“index participation unit option”</td>
<td>An option with an underlying interest that is an index participation unit.</td>
</tr>
<tr>
<td>“in-the-money”</td>
<td>(i) For equity, index participation unit, debt and currency options, that the market price, and (ii) for index options, that the current value, of the underlying interest is above the exercise price for a call option, and below the exercise price for a put option.</td>
</tr>
<tr>
<td>“out-of-the-money”</td>
<td>(i) For equity, index participation unit, debt and currency options, that the market price, and (ii) for index options, that the current value of the underlying interest is below the exercise price of a call option, and above the exercise price of a put option.</td>
</tr>
<tr>
<td><strong>“over-the-counter option”</strong></td>
<td>A call option or a put option other than an exchange-traded option.</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>--------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>“premium”</strong></td>
<td>The aggregate price, excluding commissions and other fees, that the option buyer pays and the option writer receives for the rights under the option contract.</td>
</tr>
</tbody>
</table>
| **“put option”**            | (i) An exchange-traded option that:  
(a) for equity, index participation unit, debt and currency options, gives the holder the right to sell and the writer the obligation to buy the underlying interest at a stated exercise price on or before the option expiration date, and  
(b) for index options, gives the holder the right to receive and the writer the obligation to pay, if the current value of the index falls below the exercise price, the difference between the aggregate exercise price and the aggregate current value of the underlying interest on or before the option expiration date,  
(ii) an over-the-counter option that either:  
(a) gives the holder the right to sell and the writer the obligation to buy the underlying interest at a stated exercise price on or before the option expiration date, or  
(b) gives the holder the right to receive and the writer the obligation to pay, if the current value of the index falls below the exercise price, the difference between the aggregate exercise price and the aggregate current value of the underlying interest on or before the option expiration date. |
| **“qualifying basket of index securities”** | A basket of equity securities with the characteristics in subsection 5360(6). |
| **“recognized option clearing corporation”** | The Canadian Derivatives Clearing Corporation, the Options Clearing Corporation or any other corporation or organization recognized by the Board. |
| **“regular reset date”**    | The date after the last reset date if the maximum number of trading days in the regular reset period has passed. |
| **“regular reset period”**  | The normal period between margin rate resets. This period is determined by the Corporation and is not longer than 60 trading days. |
| **“regulatory margin interval”** | The Corporation’s regulatory margin calculation determined in accordance with subsection 5360(4). |
"sector index" | An equity index in which:
---|---
(i) the basket of *equity securities* underlying the index consists of eight or more securities,
(ii) the single largest basket security position by weighting comprises not more than 35% of the overall *market value* of the basket,
(iii) the average market capitalization associated with each security in the basket of *equity securities* underlying the index is at least $100 million, and
(iv) the index constituent securities are listed and traded on an *acceptable exchange*.

"time value" | An excess of the *market value* of an option over the *in-the-money* value of the option.

"tracking error margin rate" | The last calculated *regulatory margin interval* for the tracking error resulting from a particular offset strategy, subject to the minimum floor margin rate in subsection 5360(2).

"unit of trading" | The number of units of the *underlying interest* that have been designated by an exchange as the minimum number or value to be the subject for a single option in a series of options. If there is no such designation, for a series of options the following rules apply:

<table>
<thead>
<tr>
<th>Underlying interest</th>
<th>Unit of trading</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) equity</td>
<td>100 shares</td>
</tr>
<tr>
<td>(ii) <em>index participation unit</em></td>
<td>100 units</td>
</tr>
<tr>
<td>(iii) debt</td>
<td>250 units</td>
</tr>
<tr>
<td>(iv) <em>index</em></td>
<td>100 units</td>
</tr>
</tbody>
</table>

"violation" | Occurs if the maximum one or two day percentage change in the daily closing prices is greater than the margin rate.

5131. - 5199. Reserved.
RULE 5200 | MARGIN REQUIREMENTS FOR DEBT SECURITIES AND MORTGAGES

5201. Introduction

(1) Rule 5200 sets out specific Dealer Member inventory margin and client account margin requirements for:
   (i) government debt securities not in default [sections 5210 through 5214],
   (ii) commercial and corporate debt securities not in default [sections 5220 through 5226], and
   (iii) debt securities in default [section 5230].

(2) Rule 5200 also describes the circumstances under which the debt margin surcharge applies, and details the calculation thereof [sections 5240 and 5241].

(3) Rule 5200 also sets out specific Dealer Member inventory margin and client account margin requirements for mortgages [section 5250].

(4) The margin requirements for debt securities subject to redemption call or offer are set out in Rule 5400.

(5) The Dealer Member inventory margin requirements for debt security underwriting commitments are set out in Rule 5500.

5202. - 5209. Reserved.

GOVERNMENT DEBT SECURITIES

5210. Government issued or guaranteed bonds, debentures, treasury bills, notes and certain other non-commercial securities not in default

(1) The minimum Dealer Member inventory margin and client account margin requirements for Government issued or guaranteed bonds, debentures, treasury bills, notes and certain other non-commercial securities not in default are as follows:

<table>
<thead>
<tr>
<th>Term to maturity or redemption</th>
<th>Category (i) Governments of Canada, United Kingdom, United States and national governments of countries with a high current credit rating</th>
<th>Category (ii) Canadian provincial government, and obligations of the International Bank for Reconstruction and Development</th>
<th>Category (iii) Canadian and United Kingdom municipal corporations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>1.00% x number of days to maturity / 365</td>
<td>2.00% x number of days to maturity / 365</td>
<td>3.00% x number of days to maturity / 365</td>
</tr>
<tr>
<td>Greater than or equal to 1 year and less than 3 years</td>
<td>1.00%</td>
<td>3.00%</td>
<td>5.00%</td>
</tr>
</tbody>
</table>
**Corporation Investment Dealer and Partially Consolidated Rules**

<table>
<thead>
<tr>
<th>Term to maturity or redemption</th>
<th>Minimum margin required as a percentage of market value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Category (i) Governments of Canada, United Kingdom, United States and national governments of countries with a high current credit rating</td>
</tr>
<tr>
<td>Greater than or equal to 3 years and less than 7 years</td>
<td>2.00%</td>
</tr>
<tr>
<td>Greater than or equal to 7 years and less than 11 years</td>
<td>4.00%</td>
</tr>
<tr>
<td>Greater than or equal to 11 years</td>
<td></td>
</tr>
</tbody>
</table>

(2) In subsection 5210(1) category (i), a country with a “high current credit rating” is a country that is currently rated AAA by a designated rating organization.

(3) In subsection 5210(1) category (ii), British Columbia government guaranteed parity bonds, the margin requirement for a long position must be at least 0.25% of the par value of the bonds.

(4) If a security in subsection 5210(1) is redeemable and the security is called for redemption, the term to maturity is the term to the redemption date.

### 5211. Government residual debt and stripped coupons not in default

(1) The minimum Dealer Member inventory margin and client account margin requirements for the Government residual debt and stripped coupons not in default are as follows:

<table>
<thead>
<tr>
<th>Term to maturity or redemption</th>
<th>Minimum margin required as a percentage of market value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Category (i) Governments of Canada, United Kingdom, United States and national governments of countries with a high current credit rating</td>
</tr>
<tr>
<td>Less than 1 year</td>
<td>1.50% x number of days to maturity / 365</td>
</tr>
<tr>
<td>Greater than or equal to 1 year and less than 3 years</td>
<td>1.50%</td>
</tr>
<tr>
<td>Greater than or equal to 3 years and less than 7 years</td>
<td>3.00%</td>
</tr>
</tbody>
</table>

---

Series 5000 | Dealer Member Margin Rules | Rule 5200
<table>
<thead>
<tr>
<th>Term to maturity or redemption</th>
<th>Category (i) Governments of Canada, United Kingdom, United States and national governments of countries with a high current credit rating</th>
<th>Category (ii) Canadian provincial government, and obligations of the International Bank for Reconstruction and Development</th>
<th>Category (iii) Canadian and United Kingdom municipal corporations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater than or equal to 7 years and less than 11 years</td>
<td>6.00%</td>
<td>7.50%</td>
<td></td>
</tr>
<tr>
<td>Greater than or equal to 11 years and less than 20 years</td>
<td>12.00%</td>
<td>15.00%</td>
<td>15.00%</td>
</tr>
<tr>
<td>Greater than or equal to 20 years</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(2) In subsection 5211(1) category (i), a country with a “high current credit rating” is a country that is currently rated AAA by a designated rating organization.

(3) In subsection 5211(1), the maturity date of a coupon or other evidence of interest is the interest payment date.

5212. Government floating rate debt obligations

(1) The minimum margin required for government floating rate debt obligations held in Dealer Member inventory and client accounts is the sum of:
   (i) 50% of the margin otherwise applicable to the par value of the debt security, and
   (ii) 100% of the margin otherwise applicable to any excess of the market value over the par value of the debt security.

5213. Government mortgage-backed securities

(1) The minimum Dealer Member inventory margin and client account margin requirements for government mortgage-backed securities are as follows:

<table>
<thead>
<tr>
<th>Security type</th>
<th>Minimum margin requirement expressed as a percentage of market value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security backed by mortgages and guaranteed as to timely payment of principal and interest by an issuer or its agent</td>
<td>Where the guarantor qualifies:</td>
</tr>
<tr>
<td></td>
<td>(i) under subsection 5210(1) as a government debt issuer, 1.25 times the applicable rate set out in subsection 5210(1), or</td>
</tr>
<tr>
<td></td>
<td>(ii) under subsection 5214(1) as another non-commercial debt issuer, 1.25 times the applicable rate set out in subsection 5214(1).</td>
</tr>
</tbody>
</table>
## 5214. Other non-commercial issuers not qualifying under sections 5210 through 5212

(1) The minimum *Dealer Member inventory margin* and *client account margin* requirements for securities of all other non-commercial issuers not qualifying under sections 5210 through 5212 are as follows:

<table>
<thead>
<tr>
<th>Term to maturity or redemption</th>
<th>Category (i)</th>
<th>Category (ii)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>All other non-commercial issuers’ bonds and debentures not qualifying under sections 5210 through 5212</td>
<td>All other non-commercial issuers’ residual debt and stripped coupons not qualifying under sections 5210 through 5212</td>
</tr>
<tr>
<td>Less than 1 year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greater than or equal to 1 year and less than 3 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greater than or equal to 3 years and less than 7 years</td>
<td>10.00%</td>
<td>15.00%</td>
</tr>
<tr>
<td>Greater than or equal to 7 years and less than 11 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greater than or equal to 11 years and less than 20 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greater than or equal to 20 years</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(2) If a security in subsection 5214(1) is redeemable and the security is called for redemption, the term to maturity is the term to the redemption date.

(3) In subsection 5214(1), the maturity date of a coupon or other evidence of interest is the interest payment date.

## 5215. - 5219. Reserved.

## CORPORATE DEBT SECURITIES

## 5220. Commercial and corporate bonds, debentures, notes and other securities not in default

(1) The minimum *Dealer Member inventory margin* and *client margin* requirements for commercial and corporate bonds, debentures, notes and other securities not in default are as follows:
### Corporation Investment Dealer and Partially Consolidated Rules

<table>
<thead>
<tr>
<th>Term to Maturity</th>
<th>Minimum Margin Required as a Percentage of Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Category (i)</strong></td>
<td></td>
</tr>
<tr>
<td>Commercial and corporate bonds, debentures and notes and non-negotiable and non-transferable trust and mortgage loan company obligations registered in the Dealer Member’s name; and acceptable commercial, corporate and finance company notes and readily negotiable and transferable trust and mortgage loan company obligations.</td>
<td></td>
</tr>
<tr>
<td>Within 1 year</td>
<td>3.00%</td>
</tr>
<tr>
<td></td>
<td>x number of days to maturity</td>
</tr>
<tr>
<td></td>
<td>365</td>
</tr>
<tr>
<td>Over 1 to 3 years</td>
<td>6.00%</td>
</tr>
<tr>
<td>Over 3 to 7 years</td>
<td>7.00%</td>
</tr>
<tr>
<td>Over 7 to 11 years</td>
<td>10.00%</td>
</tr>
<tr>
<td>Over 11 years</td>
<td>50.00%</td>
</tr>
</tbody>
</table>

(2) In subsection 5220(1), category (i), *acceptable commercial, corporate and finance company notes* means notes issued by a company that comply with the following requirements:

(i) In the case of a note of a Canadian incorporated issuer:
   (a) the issuer must have a net worth of at least $10,000,000,
   (b) the note must be guaranteed by another company with a net worth of at least $10,000,000, or
   (c) the issuer must have a binding agreement with another company with net worth of at least $25,000,000 to pay the issuer or a noteholders’ trustee any note indebtedness outstanding.

(ii) In the case of a note of a foreign incorporated issuer:
   (a) the issuer must have a net worth of at least $25,000,000, or
   (b) the note must be guaranteed by a foreign incorporated company with a net worth of at least $25,000,000.

### 5221. Convertible Commercial and Corporate Bonds, Debentures, Notes and Other Securities Not in Default

(1) The minimum *Dealer Member inventory margin* and *client account margin* requirements for convertible commercial and corporate bonds, debentures, and notes not in default, and non-negotiable and non-transferable trust company and mortgage loan company obligations registered in the *Dealer Member’s name* are as follows:
### Corporation Investment Dealer and Partially Consolidated Rules

<table>
<thead>
<tr>
<th>Term to maturity</th>
<th>Minimum margin required expressed as a percentage of market value or as a dollar amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Category (i) Margin required when market value is above par value</td>
</tr>
<tr>
<td>Basic margin requirement</td>
<td></td>
</tr>
<tr>
<td>Within 1 year</td>
<td>3.00% x number of days to maturity 365 multiplied by par value plus any excess of convertible debt market value over convertible debt par value.</td>
</tr>
<tr>
<td>Over 1 to 3 years</td>
<td>6.00% of par value plus any excess of convertible debt market value over convertible debt par value.</td>
</tr>
<tr>
<td>Over 3 to 7 years</td>
<td>7.00% of par value plus any excess of convertible debt market value over convertible debt par value.</td>
</tr>
<tr>
<td>Over 7 to 11 years</td>
<td>10.00% of par value plus any excess of convertible debt market value over convertible debt par value.</td>
</tr>
<tr>
<td>Over 11 years</td>
<td></td>
</tr>
</tbody>
</table>

### Alternative margin requirement

As an alternative to the margin requirements set out above, the margin requirement may be calculated for categories (i) through (iii) as the sum of the margin required for the underlying security plus any excess of the convertible debt market value over the underlying security market value.

### 5222. Bank paper not in default

1. The minimum Dealer Member inventory margin and client margin requirements for bank paper not in default are as follows:

---

**Series 5000 | Dealer Member Margin Rules**

Rule 5200
<table>
<thead>
<tr>
<th>Term to maturity</th>
<th>Minimum margin required as a percentage of market value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category (i)</td>
<td>Bank acceptances, deposit certificates, promissory notes and debentures issued by a Canadian chartered bank</td>
</tr>
<tr>
<td>Within 1 year</td>
<td>2.00% x number of days to maturity / 365</td>
</tr>
<tr>
<td>Over 1 to 3 years</td>
<td>6.00%</td>
</tr>
<tr>
<td>Over 3 to 7 years</td>
<td>7.00%</td>
</tr>
<tr>
<td>Over 7 to 11 years</td>
<td>10.00%</td>
</tr>
<tr>
<td>Over 11 years</td>
<td>50.00%</td>
</tr>
</tbody>
</table>

5223. Commercial residual debt and stripped coupons not in default

(1) The minimum Dealer Member inventory margin and client account margin requirements for commercial residual debt and stripped coupons not in default are as follows:

<table>
<thead>
<tr>
<th>Term to maturity</th>
<th>Minimum margin required expressed as a percentage of market value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category (i)</td>
<td>Commercial residual debt and stripped coupons</td>
</tr>
<tr>
<td>Within 1 year</td>
<td>4.50% x number of days to maturity / 365</td>
</tr>
<tr>
<td>Over 1 to 3 years</td>
<td>9.00%</td>
</tr>
<tr>
<td>Over 3 to 7 years</td>
<td>10.50%</td>
</tr>
<tr>
<td>Over 7 to 11 years</td>
<td>15.00%</td>
</tr>
<tr>
<td>Over 11 years</td>
<td>30.00%</td>
</tr>
<tr>
<td>Over 11 to 20 years</td>
<td>50.00%</td>
</tr>
<tr>
<td>Over 20 years</td>
<td>50.00%</td>
</tr>
</tbody>
</table>

(2) In subsection 5223(1), the maturity date of a coupon or other evidence of interest is the interest payment date.
5224. Convertible commercial residual debt not in default

(1) The minimum Dealer Member inventory margin and client account margin requirements for convertible commercial residual debt not in default are as follows:

<table>
<thead>
<tr>
<th>Term to maturity</th>
<th>Minimum margin required expressed as a percentage of market value or as a dollar amount</th>
<th>Category (ii) Margin required for commercial convertible residual debt where the underlying security has a market value of 50% or less of par value and has a low current credit rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic margin requirement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within 1 year</td>
<td>The greater of: (a) margin calculated for underlying security under subsection 5221(1), and (b) margin calculated for residual debt instrument under subsection 5223(1).</td>
<td>50.00%</td>
</tr>
<tr>
<td>Over 1 to 3 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over 3 to 7 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over 7 to 11 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over 11 to 20 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over 20 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alternative margin requirement</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As an alternative to the margin requirements set out above, the margin requirement may be calculated for categories (i) and (ii) as the sum of the margin required for the underlying security plus any excess of the convertible debt market value over the underlying security market value.

5225. Commercial and corporate floating rate debt obligations not in default

(1) The minimum margin required for commercial and corporate floating rate debt obligations not in default held in Dealer Member inventory and client accounts is the sum of:

(i) 50% of the margin otherwise applicable to the par value of the debt security, and

(ii) 100% of the margin otherwise applicable to any excess of the market value over the par value of the debt security.

5226. Commercial and corporate income bonds not in default

(1) The minimum Dealer Member inventory margin and client margin requirements for income bonds not in default are as follows:

<table>
<thead>
<tr>
<th>Category (i)</th>
<th>Minimum margin required expressed as a percentage of market value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income bonds currently and for the past two years paying interest at the full stated rate</td>
<td>10.00%</td>
</tr>
<tr>
<td>Category (ii)</td>
<td>Minimum margin required expressed as a percentage of market value</td>
</tr>
<tr>
<td>All other income bonds</td>
<td>50.00%</td>
</tr>
</tbody>
</table>

(2) To qualify under subsection 5226(1), the trust indenture must specify:

(i) an interest rate, and

(ii) that interest must be paid if earned.
5227. Commercial and corporate mortgage-backed securities

(1) The minimum Dealer Member inventory margin and client account margin requirements for mortgage-backed securities are as follows:

<table>
<thead>
<tr>
<th>Security type</th>
<th>Minimum margin required expressed as a percentage of market value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security backed by mortgages and guaranteed as to timely payment of principal and interest by an issuer or its agent</td>
<td>Where the guarantor qualifies:</td>
</tr>
<tr>
<td></td>
<td>(i) under subsection 5220(1) as commercial and corporate debt issuer, 1.25 times the applicable rate set out in subsection 5220(1), or</td>
</tr>
<tr>
<td></td>
<td>(ii) under subsection 5222(1) as a bank paper issuer, 1.25 times the applicable rate set out in subsection 5222(1).</td>
</tr>
</tbody>
</table>

5228. - 5229. Reserved.

DEBT SECURITIES IN DEFAULT

5230. Debt securities in default

(1) The minimum margin required for debt in default is 50% of market value.

5231. - 5239. Reserved.

DEBT MARGIN SURCHARGE

5240. Circumstances under which debt margin surcharge is imposed

(1) Higher margin requirements for debt securities, by way of a margin surcharge, may be established by the Corporation in response to market conditions.

(2) The Corporation monitors the price volatility of debt securities that Dealer Members trade, determines when a margin surcharge is required, and when it is no longer required.

(3) The margin surcharge required under this section 5240 is:

(i) 50% of the margin required in sections 5210 through 5226, and

(ii) required for at least 30 days.

(4) A Dealer Member will be notified by the Corporation of the imposition or revocation of a margin surcharge promptly following the Corporation determining that the margin surcharge is, or is no longer, required. The notice is effective, and a Dealer Member must be in compliance with it, not less than five days after it is given.

5241. Determining debt margin surcharge

(1) The Corporation determines the debt margin surcharge according to the calculations in section 5241.
(2) The Corporation monitors government of Canada - issued debt securities maturing in each of the three periods:

(i) over 1 year to 3 years,
(ii) over 3 years to 7 years, and
(iii) over 7 years,
for price volatility in the primary markets in which a Dealer Member trades them. Each maturity is considered a separate class of debt securities.

(3) The Corporation measures price volatility as follows:

(i) start with the closing price on a trading day for a security in monitored markets (the base day),
(ii) compare the closing price of a security on each of the four trading days after the base day to the closing price in clause 5241(3)(i),
(iii) the first day (if any) of the four days in clause 5241(3)(ii) on which the percentage change in price (negative or positive) between the closing price on that day and the closing price in clause (i) is greater than the margin rate required in Rule 5200, is an “offside base day”,
(iv) if an offside base day has occurred, it becomes the base day for making further comparisons under clauses 5241(3)(ii) and 5241(3)(iv),
(v) if an offside base day does not occur in the four trading days following the base day, then the trading day after the base day becomes the new base day, and the calculations under clauses 5241(3)(ii) through 5241(3)(iv) are made with reference to that new base day,
(vi) for any 90 day period, the Corporation must determine \( p \) as follows:

\[
\frac{\text{# of offside base days} \times 100}{\text{total # trading days in the period}} = p\%
\]

(vii) If \( p \%) is greater than 5% for any two of the three classes of debt securities monitored, a margin surcharge will be required.

(4) After a margin surcharge has been required for at least 30 days under subsection 5240(3), the Corporation will look at the number of offside base days. If the number of offside base days is not more than 5% of the total number of trading days in the immediately preceding 90 day period, the margin surcharge will no longer be required.

5242. - 5249. Reserved.

MORTGAGES

5250. Mortgages

(1) The minimum Dealer Member inventory margin requirements for mortgages are as follows:

<table>
<thead>
<tr>
<th>Mortgage type</th>
<th>Minimum margin requirement expressed as a percentage of market value</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Housing Act insured mortgage</td>
<td>6%</td>
</tr>
<tr>
<td>Conventional first mortgage</td>
<td>12% or the rate set by the chartered banks, whichever is greater</td>
</tr>
</tbody>
</table>

(2) Client account positions in mortgages may not be carried on margin.
5251. - 5299. Reserved.
RULE 5300 | MARGIN REQUIREMENTS FOR EQUITY SECURITIES AND INDEX PRODUCTS

5301. Introduction

(1) Rule 5300 sets out specific Dealer Member inventory margin and client account margin requirements for:
   (i) equity securities [sections 5310 through 5315],
   (ii) installment receipts [section 5320],
   (iii) convertible and exchangeable equities [section 5330],
   (iv) control blocks [sections 5340],
   (v) rights and warrants [section 5350],
   (vi) index products [section 5360], and
   (vii) securities held in a Trader’s account [section 5370].

(2) The margin requirements for equity securities subject to redemption call or offer are set out in Rule 5400.

(3) The Dealer Member inventory margin requirements for equity security underwriting commitments are set out in Rule 5500.

(4) The margin requirements for when issued trading are set out in Rule 5500.

5302. - 5309. Reserved.

EQUITY SECURITIES

5310. Determining the basic margin requirement

(1) Where a security is eligible to be margined using the basic margin requirement approach, the minimum Dealer Member inventory margin and client account margin rates (or dollar amounts per share) are as follows:

<table>
<thead>
<tr>
<th>Market value per share</th>
<th>Minimum margin required as a percentage of market value or as a dollar amount per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long positions:</td>
<td></td>
</tr>
<tr>
<td>Market value of $2.00 or more per share and qualifying for inclusion on the List of Securities Eligible for Reduced Margin published by the Corporation</td>
<td>25% for Dealer Member positions; 30% for client account positions</td>
</tr>
<tr>
<td>All other positions with a market value of $2.00 or more per share</td>
<td>50%</td>
</tr>
<tr>
<td>Market value of $1.75 per share to $1.99 per share</td>
<td>60%</td>
</tr>
<tr>
<td>Market value of $1.50 per share to $1.74 per share</td>
<td>80%</td>
</tr>
<tr>
<td>Market value of below $1.50 per share</td>
<td>100%</td>
</tr>
</tbody>
</table>
**5311. Canada and United States equity securities eligible for margin**

(1) The minimum *Dealer Member inventory margin* and *client account margin* rates (or dollar amounts per share) for *Canada and United States listed equity securities eligible for margin* are the basic margin requirements in section 5310.

(2) The minimum *Dealer Member inventory margin* and *client account margin* rates (or dollar amounts per share) for *Canada and United States unlisted equity securities eligible for margin* are the basic margin requirements in section 5310.

**5312. Foreign listed equity securities eligible for margin**

(1) The minimum *Dealer Member inventory margin* and *client account margin* rate for *foreign listed equity securities eligible for margin* is 50%.

**5313. Government guaranteed equity securities**

(1) The minimum *Dealer Member inventory margin* and *client account margin* rate for *government guaranteed equity securities* is 25%.

**5314. Floating rate preferred shares**

(1) The minimum *Dealer Member inventory margin* and *client account margin* requirements for *floating rate preferred shares* are as follows:

<table>
<thead>
<tr>
<th>Default status and conversion features</th>
<th>Minimum margin required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not in default of any dividend payment</td>
<td></td>
</tr>
<tr>
<td><em>Floating rate preferred shares of issuer</em></td>
<td>50% of margin rate for related common share of issuer x market value of preferred shares</td>
</tr>
<tr>
<td><em>Floating rate preferred shares with a market value at or below par value and convertible into other securities of issuer</em></td>
<td>50% of margin rate for related common share of issuer x market value of preferred shares</td>
</tr>
</tbody>
</table>
### Default status and conversion features

<table>
<thead>
<tr>
<th>Minimum margin required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not in default of any dividend payment</td>
</tr>
<tr>
<td>Floating rate preferred shares with a market value above par value and convertible into other securities of issuer</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Minimum margin required</th>
</tr>
</thead>
<tbody>
<tr>
<td>In default of one or more dividend payments</td>
</tr>
<tr>
<td>All floating rate preferred shares in default whether convertible or not</td>
</tr>
</tbody>
</table>

### 5315. Other equity securities

1. The minimum Dealer Member inventory margin and client account margin rates (or dollar amounts per share) for equity securities not eligible for margin under subsections 5311(1), 5312(1), 5313(1) or 5314(1) are as follows:

<table>
<thead>
<tr>
<th>Market value per share</th>
<th>Minimum margin required as a percentage of market value or as a dollar amount per share</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Category (i)</strong></td>
<td></td>
</tr>
<tr>
<td>Equity securities not eligible for margin under subsections 5311(1), 5312(1), 5313(1) or 5314(1)</td>
<td></td>
</tr>
<tr>
<td>Long positions:</td>
<td></td>
</tr>
<tr>
<td>All market value per share levels</td>
<td>100%</td>
</tr>
<tr>
<td>Short positions:</td>
<td></td>
</tr>
<tr>
<td>Market value of $0.50 per share and above</td>
<td>100%</td>
</tr>
<tr>
<td>Market value of below $0.50 per share</td>
<td>$0.50 per share</td>
</tr>
</tbody>
</table>

### 5316. - 5319. Reserved.
INSTALLMENT RECEIPTS

5320. Installment receipts

(1) A Dealer Member must calculate Dealer Member inventory margin and client account margin for installment receipt long positions according to the following:

<table>
<thead>
<tr>
<th>Account where position is held</th>
<th>Minimum margin required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Held in Dealer Member inventory account</td>
<td>100% of margin required for underlying security plus any excess of the future installment payments over the market value of the underlying security</td>
</tr>
<tr>
<td>Held in client account</td>
<td>The lesser of 100% of margin required for underlying security and the market value of the installment receipt</td>
</tr>
</tbody>
</table>

(2) A Dealer Member may purchase and hold an installment receipt for its own account as beneficial owner.

(3) A Dealer Member may hold an installment receipt for a client registered in the Dealer Member’s or its nominee name.

(4) A Dealer Member must not purchase or hold an installment receipt that requires it or its nominee to make payment under the installment receipt.

(5) Subsection 5320(4) does not apply:

(i) to a Dealer Member’s payments for its own account as beneficial owner of the installment receipt, or

(ii) if the agreement creating and issuing the installment receipts releases the Dealer Member or its nominee from the requirement to make the payments in subsection 5320(4) either by:

(a) transferring the installment receipt to another person if an installment is not paid in full when due, or

(b) another mechanism approved by the Corporation.

(iii) The transfer in sub-clause 5320(5)(ii)(a) must be able to occur at any time before:

(a) the close of business (Toronto time) on the second business day after default in payment of an installment, and

(b) the issuer’s or selling security holder’s rights arising from non-payment of the installment can be enforced.

(6) If an installment on an installment receipt held for a client in subsection 5320(4) has not been paid in full when due, the Dealer Member must promptly take steps necessary to be released from any requirements to pay the installment or any future payments. The Dealer Member must take steps within the time permitted by the agreement creating and issuing the installment receipts. If appropriate or necessary, the Dealer Member must transfer the installment receipt to another person.
5321. - 5329. Reserved.

CONVERTIBLE AND EXCHANGEABLE EQUITIES

5330. Convertible and exchangeable equities

1) The minimum Dealer Member inventory margin and client account margin requirements calculated for convertible and exchangeable equity securities may be limited to an overall maximum margin requirement calculated as follows:

<table>
<thead>
<tr>
<th>Minimum margin required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category (i)</td>
</tr>
<tr>
<td>Equity security currently convertible into or exchangeable for another security</td>
</tr>
<tr>
<td>The sum of:</td>
</tr>
<tr>
<td>(a) the margin required under Rule 5300 for the underlying security, plus</td>
</tr>
<tr>
<td>(b) any excess of the market value of the convertible or exchangeable equity security over the market value of the underlying security.</td>
</tr>
</tbody>
</table>

5331. - 5339. Reserved.

CONTROL BLOCKS

5340. Control blocks

1) The minimum Dealer Member inventory margin and client account margin rates for control blocks are 100% unless the position is part of an underwriting commitment that is subject to the requirements of Rule 5500.

5341. - 5349. Reserved.

RIGHTS AND WARRANTS

5350. Canada and United States rights and warrants eligible for margin

1) The minimum Dealer Member inventory margin and client account margin rates (or dollar amounts per share) for unlisted warrants issued by a chartered bank and Canada and United States listed rights and warrants are as follows:

<table>
<thead>
<tr>
<th>Minimum margin required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category (i)</td>
</tr>
<tr>
<td>Unlisted warrants issued by a Canadian chartered bank entitling the holder to buy securities issued by the Government of Canada or a Canadian province</td>
</tr>
<tr>
<td>Category (ii)</td>
</tr>
<tr>
<td>Canada and United States listed rights and warrants</td>
</tr>
</tbody>
</table>
The lesser of:
(a) 100% of the *market value* of the warrant, and
(b) the margin required for warrant’s *underlying security*.

5351. - 5359. Reserved.

INDEX PRODUCTS

5360. Index participation units and qualifying baskets of index securities

(1) The minimum *Dealer Member inventory margin* and *client account margin* requirements for *index participation units* and *qualifying baskets of index securities* are as follows:

<table>
<thead>
<tr>
<th>Minimum margin required</th>
<th>Category (i) Index participation units</th>
<th>Category (ii) Qualifying basket of index securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) The greater of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(I) the floating margin rate percentage (calculated for index participation unit based on its regulatory margin interval), and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(II) the minimum floor margin rate required under subsection 5360(2), multiplied by</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(b) The <em>market value</em> of index participation units.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(2) The minimum floor *Dealer Member inventory margin* and *client account margin* rates for the purposes of subsection 5360(1) and offset strategies recognized in Rule 5700 are as follows:

<table>
<thead>
<tr>
<th>Qualifying index, individual and offset strategies</th>
<th>Category (i) Broad based index as defined in subsection 5130(9)</th>
<th>Category (ii) Sector index as defined in subsection 5130(9)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Floor rate percentage to be used in determining margin rate for unhedged positions in index participation units and qualifying basket of index securities</td>
<td>10.00%</td>
<td>15.00%</td>
</tr>
</tbody>
</table>
Floor rate percentage to be used in determining tracking error margin rate for qualifying offset strategies involving index products

| 2.00% | 3.00% |

(3) The Corporation calculates a regulatory margin interval for index products on qualifying indices. A qualifying index for the purposes of subsections 5360(1) and 5360(2) must be a widely quoted market index, as determined by the Corporation, that:

(i) meets the minimum requirements for an index in subsection 5130(9), and
(ii) is included on the list of floating and tracking error margin rates for qualifying Canadian and U.S. index products.

(4) The Corporation calculates a regulatory margin interval according to the following formula:

\[
\text{(i) Maximum standard deviation of percentage changes in daily closing prices over the most recent 20, 90, 260 trading days} \times 3 \text{ (for a 99\% confidence interval)} \times \text{Square root of 2 (for 2 days price risk coverage)}
\]

rounded up to the next ¼%.

(ii) In limited circumstances, to ensure appropriate margin requirements, the Corporation may use discretion in calculating a regulatory margin interval. Dealer Members will be notified by the Corporation if any adjustments to the regulatory margin interval calculation are made.

(5) To calculate the floating margin rate for an index participation unit or a perfect basket of index securities:

(i) the Corporation uses the last calculated regulatory margin interval, which is effective for the regular reset period unless a violation occurs,
(ii) in normal circumstances, the floating margin rate is reset on the regular reset date to the regulatory margin interval calculated as at the regular reset date,
(iii) if a violation occurs, the Corporation may reset the floating margin rate on the date the violation occurs to the regulatory margin interval determined as at the date of the violation, and
(iv) the regulatory margin interval determined in clause 5360(5)(iii) will be effective for a minimum of 20 trading days and reset at the close of the 20th trading day to the regulatory margin interval determined as at that date if a reset results in a lower margin rate.

(6) A basket of equity securities is a qualifying basket of index securities if:

(i) all of the securities in the basket are included in the composition of the same index,
(ii) the basket comprises a portfolio with a market value equal to the market value of the underlying securities in the index,
(iii) the market value of each equity security comprising the portfolio proportionally equals or exceeds the market value of its relative weight in the index, based on the latest published relative weights of securities comprising the index, and
(iv) the required cumulative relative weight percentage of all equity securities comprising the portfolio:

(a) equals 100% of the cumulative weighting of the corresponding index, if the basket of equity securities underlying the index is comprised of less than 20 securities,

(b) equals or exceeds 90% of the cumulative weighting of the corresponding index, if the basket of equity securities underlying the index is comprised of 20 or more securities but less than 100 securities, and

(c) equals or exceeds 80% of the cumulative weighting of the corresponding index, if the basket of equity securities underlying the index is comprised of 100 or more securities,

based on the latest published relative weightings of the equity securities comprising the index.

(v) If the cumulative relative weighting of all equity securities in the basket equals or exceeds the required cumulative relative weight percentage and is less than 100% of the cumulative weighting of the corresponding index, the deficiency in the basket must be filled by other equity securities included in the composition of the index.

(7) The cumulative relative weight percentage is determined:

(i) by calculating for each security in a qualifying basket of index securities:

(a) its actual basket weighting, and

(b) its latest published relative weighting in the index,

and then,

(ii) by summing the lesser of the two weighting percentages calculated for each security in sub-clauses 5360(7)(i)(a) and 5360(7)(i)(b) for all of the securities in the qualifying basket of index securities.

(8) The incremental basket margin rate for a qualifying basket of index securities is calculated as the sum:

\[
\text{Market value of each underweighted security in basket} \times \text{Margin rate for that security} \times \text{The % by which the security is underweighted (calculated according to the formula: published relative weighting of the security - actual basket weighting of the security)}
\]

for each underweighted security in the basket.

5361. - 5369. Reserved.

5370. Securities held in a Trader’s account

(1) The minimum Dealer Member inventory margin for a security position held in a Trader’s account is 25% of the market value of such security provided:

(i) the Trader has responsibility or has “on post” trading privileges for the security,

(ii) the security is eligible for margin pursuant to section 5311,

(iii) the security does not qualify for a 25% margin rate pursuant to section 5311, and
(iv) the security has traded at a value of at or above $2.00 per share for the previous calendar quarter.

(2) The reduced margin available under subsection 5370(1) may be applied to a maximum total security market value in all Trader’s accounts of:

(i) $100,000, if 90,000 shares of more of the security were traded in the previous calendar quarter, and

(ii) $50,000, if less than 90,000 shares of the security were traded in the previous calendar quarter.

The minimum Dealer Member inventory margin on security position amounts over $100,000 and $50,000, respectively, shall be the minimum margin otherwise required pursuant to section 5311.

(3) The reduced margin available for all security positions under subsection 5370(1) shall not exceed 50% of the Dealer Member’s net allowable assets.

5371. - 5399. Reserved.
5401. Introduction
   (1) Rule 5400 sets out specific Dealer Member inventory margin and client account margin requirements for investment products not covered in Rules 5200 or 5300. The order of subjects in Rule 5400 is:
   (i) securities subject to redemption call or offer [section 5410],
   (ii) units [section 5420],
   (iii) precious metal certificates and bullion [section 5430],
   (iv) swap contracts [sections 5440 through 5442],
   (v) mutual fund positions [section 5450], and
   (vi) foreign exchange positions [sections 5460 through 5469].

5402. - 5409. Reserved.

SECURITIES SUBJECT TO REDEMPTION CALL OR OFFER

5410. Securities subject to redemption call or offer
   (1) The minimum Dealer Member inventory margin and client account margin requirements for securities subject to redemption call or offer are as follows:

<table>
<thead>
<tr>
<th>Conditions</th>
<th>Minimum margin required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash offer for all the issued and outstanding</td>
<td>No margin required provided the market value of the position is no greater than the amount of the cash offer</td>
</tr>
<tr>
<td>class of securities</td>
<td></td>
</tr>
<tr>
<td>Cash offer for a fraction of the issued and</td>
<td>For fraction subject to cash offer, no margin required provided the market value of the fractional position is no greater than the amount of the cash offer. For remainder of the position, normal margin (as determined elsewhere in Rules 5200 through 5900) would apply.</td>
</tr>
<tr>
<td>outstanding class of securities</td>
<td></td>
</tr>
</tbody>
</table>

5411. - 5419. Reserved.

UNITS

5420. Units
   (1) The minimum Dealer Member inventory margin and client account margin requirement for units is the sum of the margin required for each of the unit components.

5421. - 5429. Reserved.
**PRECIOUS METAL CERTIFICATES AND BULLION**

5430. Precious metal certificates and bullion

1. The minimum Dealer Member inventory margin and client account margin requirements for precious metal certificates and bullion are as follows:

<table>
<thead>
<tr>
<th>Precious metal investment type</th>
<th>Minimum margin required expressed as a percentage of market value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negotiable certificates issued by chartered banks and trust companies authorized to do business in Canada, evidencing an interest in one of gold, platinum or silver</td>
<td>20%</td>
</tr>
<tr>
<td>Gold or silver bullion purchased by a Dealer Member for inventory or on behalf of a client, from the Royal Canadian Mint or a chartered bank that is a market making member or a full member of the London Bullion Market Association</td>
<td>20%</td>
</tr>
</tbody>
</table>

2. The Dealer Member must have a written representation from bullion vendor stating that the bullion are London Bullion Market Association good delivery bars for the bullion to be margin eligible under subsection 5430(1).

5431. - 5439. Reserved.

**INTEREST RATE AND TOTAL PERFORMANCE SWAPS**

5440. Interest rate swaps

1. For interest rate swaps where payments are calculated with reference to a notional amount, the Dealer Member obligation to pay and entitlement to receive shall each be margined as separate components as follows:

   (i) where a component is a payment calculated according to a fixed interest rate, the margin required is the margin rate percentage specified in subsection 5210(1) category (i) for a security with the same term to maturity as the outstanding term of the swap, multiplied by 125% and in turn multiplied by the notional amount of the swap, and

   (ii) where a component is a payment calculated according to a floating interest rate, the margin required is the margin rate percentage specified in subsection 5210(1) category (i) for a security with the same term to maturity as the remaining term to the swap reset date, multiplied by the notional amount of the swap.

5441. Total performance swaps

1. For total performance swaps, where payments are calculated with reference to a notional amount, the Dealer Member obligation to pay and entitlement to receive shall each be margined as separate components as follows:

   (i) where a component is a payment calculated based on the performance of a stipulated underlying security or underlying basket of securities, with reference to a notional amount, the margin requirement is the normal margin required for the underlying security or underlying basket of securities relating to this component, based on the market value of the underlying security or underlying basket of securities, and
(ii) where a component is a payment calculated according to a floating interest rate, the margin required is the margin rate percentage specified in subsection 5210(1) category (i) for a security with the same term to maturity as the remaining term to the swap reset date, multiplied by the notional amount of the swap.

5442. Swap counterparty margin requirements

(1) The counterparty to the swap agreement is considered the Dealer Member’s client and the minimum margin the Dealer Member shall obtain from the swap client is as follows:
   (i) where the swap client is an acceptable institution, no margin, or
   (ii) where the swap client is an acceptable counterparty or regulated entity, any market value deficiency calculated relating to the swap agreement, or
   (iii) where the counterparty is an other counterparty, any loan value deficiency calculated relating to the swap agreement determined by using the same approach as set out in sections 5440 and 5441 for Dealer Member swap positions.

(2) No margin is required in sub-clause 5442(1)(ii) provided:
   (i) the Dealer Member takes action to correct the market value deficiency, and
   (ii) the market value deficiency exists for less than one business day.

5443. - 5449. Reserved.

MUTUAL FUNDS

5450. Margin requirements for mutual fund positions

(1) The minimum Dealer Member inventory margin and client account margin rates (or dollar amounts per share) for securities of mutual funds qualified by prospectus for sale in any province of Canada are:
   (i) for money market mutual funds (as defined in National Instrument 81-102), 5% of the market value of the fund, and
   (ii) for all other mutual funds, the margin rate determined in subsection 5310(1) (using the per unit market value of the mutual fund) multiplied by the market value of the fund.

5451. - 5459. Reserved.

FOREIGN EXCHANGE POSITIONS

5460. General margin requirements for foreign exchange positions

(1) The minimum Dealer Member inventory margin and client account margin requirements for a particular foreign exchange position are the aggregate of the spot risk margin requirement and term risk margin requirement, calculated using one of the following groups of spot risk margin rates and term risk margin rates for the relevant foreign currency:
### Spot risk and term risk margin required as a percentage of market value of the foreign exchange position

<table>
<thead>
<tr>
<th>Currency Group</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Spot risk margin rate</strong></td>
<td>greater of:</td>
<td>greater of:</td>
<td>greater of:</td>
<td>25.00%</td>
</tr>
<tr>
<td>(i) 1.00% and (ii) spot risk surcharge rate</td>
<td>(i) 3.00% and (ii) spot risk surcharge rate</td>
<td>(i) 10.00% and (ii) spot risk surcharge rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Term risk margin rate</strong></td>
<td>lesser of:</td>
<td>lesser of:</td>
<td>lesser of:</td>
<td>lesser of:</td>
</tr>
<tr>
<td>(i) 1.00% x foreign exchange position term to maturity, (ii) 4.00% and (i) 3.00% x foreign exchange position term to maturity, and (ii) 7.00% and (i) 5.00% x foreign exchange position term to maturity, and (ii) 10.00% and (i) 12.50% x foreign exchange position term to maturity, and (ii) 25.00%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(2) The foreign exchange currency group that a particular country currency qualifies for is determined based on the currency group criteria set out in subsection 5461(1).

(3) The spot risk margin surcharge rate that may be in effect from time to time for a particular country currency is determined using the approach set out in subsection 5462(2).

(4) *Dealer Members* are permitted at their option to margin certain inventory positions in accordance with section 5467 instead of the other applicable provisions within sections 5461 through 5466.

(5) References to conversion to Canadian dollars at the *spot exchange rate* are to the rate quoted by a recognized quote vendor for contracts with a *term to maturity* of one day.

(6) *Monetary assets and liabilities* are assets and liabilities, respectively, of a *Dealer Member* in respect of money and claims to money whether denominated in foreign or domestic currency, which are fixed by contract or otherwise.

(7) Inventory long or short currency *futures contracts* listed on a futures exchange which are included in the unhedged foreign exchange calculations hereunder are not required to be margined pursuant to section 5790.

(8) *Dealer Members* are permitted at their option to exclude non-allowable *monetary assets* from *monetary assets* for the purpose of calculating the margin requirement within sections 5461 through 5467.

(9) The *foreign exchange position term to maturity* is the term to maturity of a particular *foreign exchange position* expressed in years.

### 5461. Foreign exchange currency group criteria and monitoring

(1) **Criteria** - The qualitative and quantitative criteria for initial qualification within each currency group are as follows:

   (i) A Group 1 currency must:
(a) have a spot price volatility level of less than or equal to 1.00%, and
(b) be a primary intervention currency of the Canadian dollar.

(ii) A Group 2 currency must:
(a) have a spot price volatility level of less than or equal to 3.00%,
(b) have a daily quoted spot rate by a Schedule 1 chartered bank, and
(c) have either:
   (I) a daily quoted spot rate by either:
      (A) a member of the Economic and Monetary Union, or
      (B) a participant in the Exchange Rate Mechanism II,
   or
   (II) a listed currency futures contract on a futures exchange.

(iii) A Group 3 currency must:
(a) have a spot price volatility level of less than or equal to 10.00%,
(b) have a daily quoted spot rate by a Schedule 1 chartered bank, and
(c) be of a member country of the International Monetary Fund with Article VIII status, and no capital payment restrictions as they relate to security transactions.

(iv) A Group 4 currency has no initial or ongoing qualification criteria.

(2) Monitoring currency adherence to group qualitative criteria -
On at least an annual basis, the Corporation shall assess the adherence of each currency in a group to the qualitative criteria of the particular currency group to determine whether the currency continues to satisfy the qualitative criteria of the currency group.

(3) Currency group upgrades and downgrades – Where the Corporation determines that a particular currency:
(i) should be upgraded, because it now satisfies the criteria set out in subsection 5461(1) for a currency group other than its current currency group, or
(ii) should be downgraded, because it no longer satisfies its current currency group criteria as set out in subsection 5461(1),

The Corporation shall recommend for approval its proposed upgrade or downgrade to the Corporation’s Financial and Operations Advisory Section. Upon the Corporation’s Financial and Operations Advisory Section approval, the Corporation shall notify Dealer Members of the upgrade or downgrade.

5462. Spot risk margin rate

(1) Minimum rates - The minimum spot risk margin rates for each Currency Group are as follows:

<table>
<thead>
<tr>
<th>Currency Group</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum spot risk margin required as a percentage of market value of the foreign exchange position</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
(2) **Spot price volatility levels** - To monitor the volatility of each Group 1, 2 or 3 currency, the Canadian dollar equivalent closing price on each of the four trading days succeeding the "base day" is compared to the base day closing price. The first of four succeeding trading days on which the percentage change in price (negative or positive) between the closing price on the succeeding day and the closing price on the base day is greater than the spot risk margin rate prescribed for the particular currency in subsection 5460(1) is designated an "offside base day". If an offside base day has been designated, the offside base day is designated the base day for the purpose of making further base day closing price comparisons.

If the number of offside base days during any 60 trading day period is greater than three, the currency is deemed to have exceeded the volatility threshold of the currency group.

If the volatility of a Group 1, 2 or 3 currency exceeds the volatility threshold, the individual currency spot risk margin rate is increased by increments of 10% until the application of the increased margin rate would result in no more than two offside days during the preceding 60 trading days. The increased margin rate shall apply for a minimum of 30 trading days and is automatically decreased to the margin rate otherwise applicable when after such 30 trading day period the volatility of the currency is less than the volatility threshold.

The *Corporation* is responsible for determining the required increase or decrease in foreign exchange spot risk margin rates under this subsection 5462(2).

### 5463. Spot risk margin requirement

(1) The spot risk margin requirement applies to all *monetary assets and liabilities, regardless of term to maturity*, and must be calculated as:

\[
\text{net long (short) foreign exchange position} \times \text{spot risk margin rate}
\]

(2) The spot risk margin requirement must be converted to Canadian dollars at the current *spot exchange rate*.

### 5464. Term risk margin requirement

(1) The term risk margin requirement applies to all *monetary assets or liabilities with a term to maturity of over two business days* and must be calculated for each individual asset and liability as:

\[
\text{foreign exchange position} \times \text{term risk margin rate for the position}
\]

(2) The term risk margin requirement must be converted to Canadian dollars at the current *spot exchange rate*.

### 5465. Maximum security margin requirement

(1) The sum of:

(i) the spot risk margin requirement,

(ii) the term risk margin requirement, and

(iii) the security margin requirement as determined elsewhere in these Rules,
must not exceed 100% of the *market value* of the security.

**5466. Foreign exchange position offsets for Dealer Members**

(1) A *Dealer Member* must calculate *Dealer Member inventory margin* and *client margin* for *foreign exchange positions* according to the currency groups and rates in subsection 5460(1).

(2) If a *Dealer Member* has a *monetary asset* and *monetary liability* in the same currency, the term risk margin requirement may be netted according to the following table:

<table>
<thead>
<tr>
<th>Dealer Member position</th>
<th>Term risk margin requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) <em>Monetary asset and monetary liability</em>, both with a <em>term to maturity</em> of 2 years or less</td>
<td>Term risk margin requirement for both positions may be netted</td>
</tr>
<tr>
<td>(ii) <em>Monetary asset and monetary liability</em>, both with a <em>term to maturity</em> of over 2 years</td>
<td>Term risk margin requirement for both positions is the greater of term risk margin requirement for the <em>monetary asset</em> and the <em>monetary liability</em>.</td>
</tr>
<tr>
<td>(iii) <em>Monetary asset (monetary liability)</em> with a <em>term to maturity</em> of 2 years or less and <em>monetary liability (monetary asset)</em> with a <em>term to maturity</em> of over 2 years where difference in the terms to maturity is 180 days or less.</td>
<td>Term risk margin requirement for both positions may be netted</td>
</tr>
</tbody>
</table>

(3) If a *Dealer Member* has a *monetary asset* and a *monetary liability* in the same currency group and one of the positions has a *term to maturity* of 2 years or less and the other has a *term to maturity* of more than 2 years, the term risk margin requirement for the two positions need not be greater than the following:

<table>
<thead>
<tr>
<th>Currency Group</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Market value of positions offset</em></td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>5.00%</td>
<td>10.00%</td>
<td>20.00%</td>
<td>50.00%</td>
<td></td>
</tr>
</tbody>
</table>

**5467. Alternative calculation approach for Dealer Member foreign exchange positions**

(1) As an alternative to the foreign exchange margin requirement determined under sections 5463 through 5466 for futures and forward contract inventory positions denominated in a currency which has a currency *futures contract* which trades on a futures exchange, the foreign exchange margin requirement may be calculated as follows.

(i) *Futures contracts* - *Foreign exchange positions* consisting of *futures contracts* may be margined at the margin rates prescribed by the futures exchange on which the *futures contracts* are listed.

(ii) *Forward contracts offsets* - Forward contract positions which are not denominated in Canadian dollars may be margined as follows:
(a) the margin requirement is the greater of the requirement determined under sections 5463 through 5466 on each of the two positions,

(b) two forward contracts held by a Dealer Member which have one currency common to both contracts, are for the same value date, and the amount of the common currency positions are equal and offsetting, may be treated as a single contract for the purposes of sub-clause 5467(1)(ii)(b).

(iii) **Futures and forward contract offsets** - Futures and forward contract positions which are not denominated in Canadian dollars may be margined as follows:

(a) (I) the margin requirement is the greater of the requirement determined under sections 5463 through 5466 on each of the two positions,

(Ii) margin rates applicable to unhedged positions under paragraph 5467(1)(iii)(a)(l) are the rates established by sections 5461 through 5466 and not the rates prescribed by the futures exchange on which the futures contracts are listed,

(b) two forward contracts held by a Dealer Member which have one currency common to both contracts, are for the same value date, and the amount of the common currency positions are equal and offsetting, may be treated as a single contract for the purposes of sub-clause 5467(1)(iii)(b).

5468. **Client account margin requirements**

(1) The minimum client account margin requirements for foreign exchange positions are the aggregate of the spot risk margin requirement and term risk margin requirement calculated for each position provided that:

(i) Where the positions are held in an account of:

(a) an acceptable institution, no margin is required, or

(b) an acceptable counterparty or a regulated entity, margin is calculated on a mark-to-market basis.

(ii) The margin required in respect of foreign exchange positions (excluding cash balances) held in the accounts of clients who are classified as other counterparties, as defined in Form 1, which are denominated in a currency other than the currency of the account, is the aggregate of the security margin requirement and the foreign exchange margin requirement, provided that where the margin rate applicable to the security is greater than the spot risk margin rate, the foreign exchange margin requirement is nil. The sum of the security margin requirement and the foreign exchange margin requirement shall not exceed 100%.

(iii) Listed futures contracts are margined in the same manner as prescribed in section 5790.

5469. **Foreign exchange concentration charge**

(1) In respect of any Group 2, Group 3 or Group 4 currency, a concentration charge as calculated in subsection 5469(2) may apply.

(2) The concentration charge that applies for any Group 2, Group 3 or Group 4 currency, is any excess of the aggregate of the foreign exchange margin provided under sections 5461 through
5468 on a Dealer Member’s monetary assets and monetary liabilities and the foreign exchange margin on client accounts over 25% of the firm's net allowable assets net of minimum capital (as determined for the purposes of Form 1) as determined on a currency by currency basis.

5470. – 5499. Reserved.
RULE 5500 | MARGIN REQUIREMENTS FOR UNDERWRITING COMMITMENTS AND WHEN ISSUED TRADING

5501. Introduction

(1) Rule 5500 covers Dealer Member inventory margin requirements for underwriting commitments and offsets involving underwriting commitments and Dealer Member inventory margin and client account margin requirements for when issued trading positions. The order of subjects in Rule 5500 is:

(i) underwriting commitment amount [section 5510]
(ii) margin requirements for underwriting commitments:
   (a) where a new issue letter has not been obtained [section 5520],
   (b) where a new issue letter has been obtained [section 5521],
   (c) where expressions of interest from exempt purchasers have been received [section 5522],
   (d) alternative approach to margining private placements of restricted equity securities [section 5523],
   (e) standby commitment to purchase securities under a rights offering [section 5524],
(iii) underwriting related agreements [section 5530],
(iv) individual and overall underwriting concentration charges [sections 5540 and 5541],
(v) specific offset strategies involving commitments to purchase [sections 5550 through 5552], and
(vi) margin requirements for when issued trading positions [sections 5560 through 5562].

5502. - 5509. Reserved.

UNDERWRITING COMMITMENT AMOUNT

5510. Underwriting commitment amount

(1) In determining the amount of a Dealer Member's underwriting commitment for the purposes of sections 5520 through 5524, sections 5530 and 5531 and sections 5540 and 5541, receivables from Dealer Members of the banking or selling groups in respect of firm obligations to take down a portion of a new issue of securities (that is not after market trading) may be deducted from the liability of the Dealer Member to the issuer.

5511. - 5519. Reserved.

MARGIN REQUIREMENTS FOR UNDERWRITING COMMITMENTS

5520. Margin requirements for underwriting commitments where a new issue letter has not been obtained

(1) The minimum Dealer Member inventory margin requirement for a commitment in respect of a new issue of securities or a secondary issue of securities where a new issue letter has not been obtained is calculated in accordance with subsections 5520(2) through 5520(5).
Corporation Investment Dealer and Partially Consolidated Rules

(2) **No out clauses in effect** - Where the *commitment* is not subject to a *market out clause* or a *disaster out clause* (by the exclusion of these clauses from the related underwriting agreement), the margin required is:

(i) from the *commitment* date to 20 business days after settlement date, *normal new issue margin*,

(ii) thereafter, *normal margin*.

(3) **Disaster out clause in effect** - Where the *commitment* is subject to a *disaster out clause* (by the inclusion of this clause in the related underwriting agreement), the margin required is:

(i) from the *commitment* date to the settlement date of the offering or the expiry date of the *disaster out clause*, whichever is earlier, 50% of *normal new issue margin*, and

(ii) thereafter, the same as in subsection 5520(2).

(4) **Market out clause in effect** - Where the *commitment* is subject to a *market out clause* (by the inclusion of this clause in the related underwriting agreement), the margin required is:

(i) from the *commitment* date to the settlement date of the offering or the expiry date of the *market out clause*, whichever is earlier, 10% of *normal new issue margin* is required, and

(ii) thereafter, the same as in subsection 5520(2).

(5) **Disaster out clause and market out clause in effect** - Where the *commitment* is subject to a *disaster out clause* and a *market out clause* (by the inclusion of these clauses in the related underwriting agreement), the margin required is:

(i) from the *commitment* date to the settlement date of the offering or the expiry date of the *market out clause*, whichever is earlier, 10% of *normal new issue margin* is required, and

(ii) thereafter:

(a) where the *disaster out clause* is still in effect, the same as in subsection 5520(3), or

(b) where the *disaster out clause* is also no longer effect, the same as in subsection 5520(2).

5521. **Margin requirements for underwriting commitments where a new issue letter has been obtained**

(1) The minimum *Dealer Member inventory margin* requirement for a *commitment* in respect of a new issue of securities or a secondary issue of securities where a *new issue letter* has been obtained is calculated in accordance with subsections 5521(2) through 5521(6).

(2) **No out clauses in effect** - Where the *commitment* is not subject to a *market out clause* or a *disaster out clause* (by the exclusion of these clauses from the related underwriting agreement), the margin required is:

(i) from the effective date of the *new issue letter* to the business day prior to the settlement date of the offering:

(a) where the *new issue letter* has not expired, 10% of *normal new issue margin*, and

(b) where the *new issue letter* has expired, *normal new issue margin*,

(ii) from settlement date of the offering:

(a) where the *new issue letter* has been drawn:

(I) from settlement date to five business days after settlement date or when the *new issue letter* expires, whichever is earlier, 10% of *normal new issue margin*,
(II) for the next succeeding five business days or when the new issue letter expires, whichever is earlier, 25% of normal new issue margin,

(III) for the next succeeding five business days or when the new issue letter expires, whichever is earlier, 50% of normal new issue margin,

(IV) for the next succeeding five business days or when the new issue letter expires, whichever is earlier, 75% of normal new issue margin, and

(V) thereafter, normal margin, and

(b) where the new issue letter has not been drawn:

(I) from settlement date to 20 business days after settlement date or when the new issue letter expires, whichever is earlier, 100% of normal new issue margin, and

(II) thereafter, normal margin.

(3) **Disaster out clause in effect** - Where the commitment is subject to a disaster out clause (by the inclusion of this clause in the related underwriting agreement), the margin required is:

(i) from the effective date of the new issue letter to the business day prior to the settlement date of the offering:

(a) where the new issue letter has not expired, 10% of normal new issue margin,

(b) where the disaster out clause has not expired, 50% of normal new issue margin, and

(c) where the new issue letter and the disaster out clause have expired, normal new issue margin,

(ii) from settlement date of the offering, the same as in clause 5521(2)(ii).

(4) **Market out clause in effect** - Where the commitment is subject to a market out clause (by the inclusion of this clause in the related underwriting agreement), the margin required is:

(i) from the effective date of the new issue letter to the business day prior to the settlement date of the offering:

(a) where the new issue letter and the market out clause have not expired, 5% of normal new issue margin,

(b) where the new issue letter has expired and the market out clause has not expired, 10% of normal new issue margin,

(c) where the new issue letter has not expired and the market out clause has expired, 10% of normal new issue margin, and

(d) where both the new issue letter and the market out clause have expired, normal new issue margin,

(ii) from settlement date of the offering, the same as in clause 5521(2)(ii).

(5) **Disaster out clause and market out clause in effect** - Where the commitment is subject to a disaster out clause and a market out clause (by the inclusion of these clauses in the related underwriting agreement), the margin required is:

(i) from the effective date of the new issue letter to the business day prior to the settlement date of the offering:
Corporation Investment Dealer and Partially Consolidated Rules

(a) where the new issue letter and the market out clause have not expired, 5% of normal new issue margin,

(b) where the new issue letter has expired and the market out clause has not expired, 10% of normal new issue margin,

(c) where the new issue letter has not expired and the market out clause has expired, 10% of normal new issue margin,

(d) where both the new issue letter and the market out clause have expired and the disaster out clause has not expired, 50% of normal new issue margin, and

(e) where the new issue letter, the market out clause and the disaster out clause have all expired, normal new issue margin,

(ii) from settlement date of the offering, the same as in clause 5521(2)(ii).

(6) If the margin rates prescribed in subsections 5521(2) through 5521(5) in respect of commitments for which a new issue letter is available are less than the margin rates required by the issuer of such letter, the higher rates required by the issuer shall be applied.

5522. Margin requirements for underwriting commitments where expressions of interest from exempt purchasers have been affirmed

(1) Where a Dealer Member has a commitment in respect of a new issue of securities or a secondary issue of securities and the Dealer Member has determined through obtaining appropriate documentation:

(i) that the allocation between retail and exempt purchasers has been finalized,

(ii) that expressions of interest received from the entire allotment to exempt purchasers have been verbally affirmed but not yet ticketed,

(iii) that there is unlikely to be a significant renege rate on the expressions of interest received from exempt purchasers,

(iv) that the Dealer Member is not significantly leveraging its underwriting activities through the use of the margin requirement reduction provided on that portion of the commitment where expressions of interest have been received from exempt purchasers,

the minimum Dealer Member inventory margin requirement for the portion of the commitment allocated to exempt purchasers is calculated in accordance with subsections 5522(2) through 5522(6).

(2) New issue letter has not been obtained and no out clauses in effect - Where the commitment is not subject to a market out clause or a disaster out clause (by the exclusion of these clauses from the related underwriting agreement) and a new issue letter has not been obtained or has expired, the margin required from the date that the expressions of interest received from the entire allotment to exempt purchasers have been verbally affirmed but not yet ticketed until the date the sales are contracted is:

(i) where the current market value of the commitment is at or above 90% of new issue value (90% x issue price x number of shares), 20% of normal new issue margin,

(ii) where the current market value of the commitment is at or above 80% but below 90% of new issue value (80% x issue price x number of shares), 40% of normal new issue margin, and
(iii) otherwise, normal new issue margin.

(3) **New issue letter has not been obtained and disaster out clause in effect** - Where the commitment is subject to a disaster out clause (by reference in the commitment to such clause being included in the underwriting agreement) and the disaster out clause has not expired and a new issue letter has not been obtained or has expired, the margin required is the lesser of:

(i) the margin required in subsection 5522(2), and

(ii) the margin required in subsection 5520(3).

(4) **New issue letter has not been obtained and market out clause in effect** - Where the commitment is subject to a market out clause (by the inclusion of this clause in the related underwriting agreement) and the market out clause has not expired and a new issue letter has not been obtained or has expired, the margin required is the same as in subsection 5520(4).

(5) **New issue letter has not been obtained and disaster out clause and market out clause in effect** - Where the commitment is subject to a disaster out clause and a market out clause (by the inclusion of these clauses in the related underwriting agreement) and the market out clause has not expired and a new issue letter has not been obtained or has expired, the margin required is the same as in subsection 5520(5).

(6) **New issue letter has been obtained** - Where a new issue letter has been obtained and the new issue letter has not expired, the margin required is the same as in section 5521.

5523. **Alternative approach to margining of private placements of restricted equity securities during the distribution period**

(1) For a private placement of an equity security subject to a four-month trading restriction (pursuant to National Instrument 45-102 or a similar provincial securities laws exemption), an alternative approach to margining is permitted. The alternative approach is set out in subsection 5523(2).

(2) The margin rate to be used for the private placement during the distribution period shall be the greater of:

(i) the margin rate that would be otherwise applicable to the security if the restriction were not present, subject to the margin rate reductions available in sections 5520 through 5522, and

(ii) (a) where it is five business days or less subsequent to the commitment date, 25%,

(b) where it is greater than five business days subsequent to the commitment date, 50%, and

(c) where it is on or after the offering settlement date, 100%.

5524. **Margin requirements for a standby commitment to purchase securities under a rights offering**

(1) The minimum Dealer Member inventory margin requirement for a standby commitment to purchase securities under a rights offering is calculated in accordance with subsection 5524(2).

(2) The margin required is:

(i) where the market value of the underlying security is greater than 125% of the subscription amount, nil,
(ii) where the market value of the underlying security is greater than 110% but less than or equal to 125% of the subscription amount, 10% of the normal margin rate multiplied by the subscription amount,

(iii) where the market value of the underlying security is greater than 105% but less than or equal to 110% of the subscription amount, 30% of the normal margin rate multiplied by the subscription amount,

(iv) where the market value of the underlying security is greater than 100% but less than or equal to 105% of the subscription amount, 50% of the normal margin rate multiplied by the subscription amount, and

(v) where the market value of the underlying security is less than or equal to 100% of the subscription amount, the normal margin rate multiplied by the market value of the underlying security.

5525. - 5529. Reserved.

UNDERWRITING RELATED AGREEMENTS

5530. New issue letter

(1) To obtain the reduced margin requirements in section 5521 for an underwriting commitment, a Dealer Member must be party to a new issue letter.

(2) In subsection 5130(5), a new issue letter is defined as an underwriting loan facility in a form satisfactory to the Corporation. For the letter to be satisfactory, it must contain the following minimum terms and conditions:

(i) the letter issuer must provide an irrevocable commitment to advance funds based only on the strength of the new issue and the Dealer Member,

(ii) the letter issuer must advance funds to the Dealer Member for any part of the commitment not sold, for an amount based on a stated loan value rate, at a stated interest rate, and for a stated period of time,

(iii) the letter issuer must not, if the Dealer Member is unable to repay the loan at the termination date resulting in a loss or potential loss to the letter issuer, have or seek any right of set-off against:

(a) collateral held by the letter issuer for any other obligations of the Dealer Member or its clients,

(b) cash on deposit with the letter issuer for any purpose, or

(c) securities or other assets held in a custodial capacity by the letter issuer for the Dealer Member’s own account or for the Dealer Member’s clients, to recover the loss or potential loss.

(3) If the new issue letter issuer is not an acceptable institution, the funds that can be drawn under the new issue letter must either be fully collateralized by high-grade securities or held in escrow with an acceptable institution.

5531. - 5539. Reserved.
INDIVIDUAL AND OVERALL UNDERWRITING CONCENTRATION CHARGES

5540. Individual underwriting concentration charge

(1) Where:

(i) the margin required on any one commitment is reduced due to either:
   (a) obtaining a new issue letter in accordance with section 5521, or
   (b) qualifying expressions of interest received from exempt purchasers that have been verbally affirmed but not yet contracted in accordance with section 5522,

and

(ii) the margin requirement reduction in respect of such commitment (determined by comparing the margin requirement calculated in section 5521 or section 5522 with the margin requirement otherwise applicable and calculated in section 5520), exceeds 40% of such Dealer Member’s net allowable assets,

such excess shall be added to total margin required pursuant to Form 1. The amount to be deducted may be reduced by the amount of margin provided for as required by section 5521 or section 5522 on the individual underwriting position to which such excess relates.

5541. Overall underwriting concentration charge

(1) Where:

(i) the margin required on some or all commitments is reduced due to either:
   (a) obtaining a new issue letter in accordance with section 5521, or
   (b) qualifying expressions of interest received from exempt purchasers that have been verbally affirmed but not yet contracted in accordance with section 5522,

and

(ii) the aggregate margin requirement reductions in respect of such commitments (determined by comparing the margin requirements calculated in section 5521 and section 5522 with the margin requirements otherwise applicable and calculated in section 5520), exceeds 100% of such Dealer Member’s net allowable assets,

such excess shall be added to total margin required pursuant to Form 1. The amount to be deducted may be reduced by the amount of margin provided for as required by section 5521 and section 5522 above on individual underwriting positions and by the amount required to be deducted from risk adjusted capital pursuant to section 5540.

5542. - 5549. Reserved.

SPECIFIC OFFSET STRATEGIES INVOLVING COMMITMENTS TO PURCHASE

5550. Long qualifying basket of index securities - Short index participation units - Commitment to purchase index participation units

(1) Where a Dealer Member inventory account contains the following combination:

<table>
<thead>
<tr>
<th>Long position</th>
<th>Short position</th>
<th>Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>qualifying basket of index securities</td>
<td>index participation units based on the same index</td>
<td>commitment to purchase index participation units</td>
</tr>
</tbody>
</table>
Corporation Investment Dealer and Partially Consolidated Rules

and equivalent quantities of each position in the combination are held, the minimum margin required for the combination is calculated in accordance with subsection 5550(2).

(2) No margin is required provided the long qualifying basket of index securities:

(i) is of size sufficient to comprise a basket of securities or multiple thereof required to obtain the participation units,

and

(ii) does not exceed the Dealer Member’s commitment to purchase the participation units.

5551. Long qualifying basket of index securities - Short index participation unit call options - Commitment to purchase index participation units

(1) Where a Dealer Member inventory account contains the following combination:

<table>
<thead>
<tr>
<th>Long position</th>
<th>Short option position</th>
<th>Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>qualifying basket of index securities</td>
<td>index participation unit call option based on the same index</td>
<td>commitment to purchase index participation units pursuant to an underwriting agreement</td>
</tr>
</tbody>
</table>

and equivalent quantities of each position in the combination are held and the underwriting period expires after the expiry date of the short call options, the minimum margin required for the combination is calculated in accordance with subsection 5551(2).

(2) Subject to additional margin requirements set out in subsection 5551(3), the minimum margin required is the normal margin required on the long qualifying basket less the market value of the short call options, but in no event shall the margin required be less than zero.

(3) Where the qualifying basket of index securities is imperfect, additional margin is required to be provided in the amount of the calculated incremental basket margin rate for the basket multiplied by the market value of the basket.

5552. Long qualifying basket of index securities - Long index participation unit put options - Commitment to purchase index participation units

(1) Where a Dealer Member inventory account contains the following combination:

<table>
<thead>
<tr>
<th>Long position</th>
<th>Long option position</th>
<th>Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>qualifying basket of index securities</td>
<td>index participation unit put option based on the same index</td>
<td>commitment to purchase index participation units pursuant to an underwriting agreement</td>
</tr>
</tbody>
</table>

and equivalent quantities of each position in the combination are held and the underwriting period expires after the expiry date of the long put options, the minimum margin required for the combination is calculated in accordance with subsection 5552(2).

(2) Subject to additional margin requirements set out in subsection 5552(3), the minimum margin required is:
(i) 100% of the market value of the long put options, plus
(ii) the lesser of:
   (a) the normal margin required on the long qualifying basket of index securities, or
   (b) the market value of the qualifying basket of index securities less the aggregate exercise value of the put options.

A negative value calculated under sub-clause 5552(2)(ii)(b) may reduce the margin required on the put options, but in no event shall the margin required be less than zero.

(3) Where the qualifying basket of index securities is imperfect, additional margin is required to be provided in the amount of the calculated incremental basket margin rate for the basket multiplied by the market value of the basket.

5553. - 5559. Reserved.

MARGIN REQUIREMENTS FOR WHEN ISSUED TRADING POSITIONS

5560. Margin for short positions

(1) Subject to subsections 5560(2) and 5560(3), the minimum Dealer Member inventory margin and client account margin required for short positions resulting from short sales of a security traded on a when issued basis is the normal margin required for a short position in the security.

(2) Dealer Member inventory margin shall be posted on the trade date of the short sale.

(3) Client account margin shall be posted on the second settlement day after the trade date of the short sale.

5561. Margin for hedged positions

(1) Subject to subsections 5561(3) and 5561(4), the minimum Dealer Member inventory margin and client account margin required for hedged positions resulting from purchases of securities trading on a when issued basis that are subsequently sold on a when issued basis is the normal margin required for a long position in the security.

(2) Subject to subsections 5561(3) and 5561(4), the minimum Dealer Member inventory margin and client account margin required for hedged positions resulting from purchases of securities trading on a when issued basis that are subsequently sold for settlement into the regular market is the normal margin required for a short position in the security.

(3) Dealer Member inventory margin shall be posted on the trade date of the purchase.

(4) Client account margin shall be posted on the second settlement day after the trade date of the sale.

5562. Margin for long positions

(1) Subject to subsections 5562(2) and 5562(3), the minimum Dealer Member inventory margin and client account margin required for long positions resulting from purchases of securities trading on a when issued basis that have not been sold subsequently on a when issued basis is the normal margin required for a long position in the security.
(2) *Dealer Member inventory margin* shall be posted on the trade date of the purchase.

(3) *Client account margin* shall be posted on the later of the second settlement day after the trade date of the purchase and the date of the issuance or distribution of the security.

5601. Introduction

(1) Rule 5600 addresses the margin treatment of security positions that comprise reduced-risk offset strategies. The margin requirements for these strategies are generally less than if the positions are margined separately. Reduced margin in some cases is available for both Dealer Member inventory and client account offset strategies and in other cases is available for only Dealer Member inventory offset strategies.

(2) The order of subjects in Rule 5600 is:

(i) Dealer Member inventory and client account offset strategies involving:
   (a) debt securities:
      (I) government debt securities [sections 5610 through 5618],
      (II) commercial and corporate debt securities [sections 5620 through 5624], and
      (III) government debt securities and commercial and corporate debt securities
            [sections 5630 through 5631],
   (b) convertible and exercisable securities:
      (I) convertible securities [sections 5640 through 5644],
      (II) capital shares [sections 5650 to 5655], and
      (III) warrants, rights, installment receipts and other exercisable securities [sections
            5660 through 5663],
   and
   (ii) offsets only available for Dealer Member inventory positions:
      (a) debt securities [sections 5670 through 5671], and
      (b) swap positions [section 5680 through 5682].

5602. - 5609. Reserved.

DEALER MEMBER INVENTORY AND CLIENT ACCOUNT OFFSET STRATEGIES

OFFSETS INVOLVING GOVERNMENT DEBT SECURITIES AND RELATED INSTRUMENTS

5610. Summary reference tables

(1) The following reference table summarizes the reduced margin offset strategies available among government debt securities:
<table>
<thead>
<tr>
<th>Long Canada debt securities</th>
<th>Short Canada debt securities</th>
<th>Short United States debt securities</th>
<th>Short Canada Provincial debt securities</th>
<th>Short Canada Municipal debt securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long United States debt securities</td>
<td>same maturity band - 5611 and 5612</td>
<td>same maturity band - 5614(3)(i)</td>
<td>same maturity band - 5614(1)(i)</td>
<td>same maturity band - 5614(1)(ii) and 5614(3)(iii)</td>
</tr>
<tr>
<td>Long Canada Provincial debt securities</td>
<td>different maturity bands - 5613(1)(i)</td>
<td>different maturity bands - no offset available</td>
<td>different maturity bands - 5613(1)(i)</td>
<td>different maturity bands - no offset available</td>
</tr>
<tr>
<td>Long Canada Municipal debt securities</td>
<td>different maturity bands - 5613(1)(ii)</td>
<td>different maturity bands - no offset available</td>
<td>different maturity bands - 5613(1)(iii)</td>
<td>different maturity bands - no offset available</td>
</tr>
</tbody>
</table>

**Series 5000 | Dealer Member Margin Rules**

**Rule 5600**

- offset available for long and short positions in same security
<table>
<thead>
<tr>
<th>Short Canada debt securities</th>
<th>Short United States debt securities</th>
<th>Short Canada Provincial debt securities</th>
<th>Short Canada Municipal debt securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>different maturity bands</td>
<td>different maturity bands</td>
<td>different maturity bands</td>
<td>different maturity bands</td>
</tr>
<tr>
<td>- no offset available</td>
<td>- no offset available</td>
<td>- no offset available</td>
<td>- no offset available</td>
</tr>
</tbody>
</table>

(2) The following reference table summarizes the reduced margin offset strategies available between Canadian government *debt securities* and strip and residual debt instruments:

<table>
<thead>
<tr>
<th>Long Canada debt securities</th>
<th>Refer to table in subsection 5610(1)</th>
<th>Short Canada debt securities</th>
<th>Short Canada Provincial debt securities</th>
<th>Short Canada strips or Canada residuals</th>
<th>Short Provincial strips or Provincial residuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>same issuer and maturity band</td>
<td>same maturity band</td>
<td>different issuers or maturity bands</td>
<td>different maturity bands</td>
<td>different maturity band</td>
<td>different maturity bands</td>
</tr>
<tr>
<td>- 5615(1)(i) and 5615(1)(ii)</td>
<td>- 5615(2)(i) and 5615(2)(ii)</td>
<td>- no offset available</td>
<td>- no offset available</td>
<td>- no offset available</td>
<td>- no offset available</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Long Canada Provincial debt securities</th>
<th>Refer to table in subsection 5610(1)</th>
<th>Short Canada debt securities</th>
<th>Short Canada Provincial debt securities</th>
<th>Short Canada strips or Canada residuals</th>
<th>Short Provincial strips or Provincial residuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>same maturity band</td>
<td>same maturity band</td>
<td>different maturity bands</td>
<td>different maturity bands</td>
<td>different maturity band</td>
<td>different maturity bands</td>
</tr>
<tr>
<td>- 5615(2)(iii) and 5615(2)(iv)</td>
<td>- 5615(1)(v) and 5615(1)(vi)</td>
<td>- no offset available</td>
<td>- no offset available</td>
<td>- no offset available</td>
<td>- no offset available</td>
</tr>
</tbody>
</table>
The following reference table summarizes the reduced margin offset strategies available between foreign federal government debt securities and foreign federal government strip and residual debt instruments:

<table>
<thead>
<tr>
<th>Long Canada strips or Canada residuals</th>
<th>Short Canada debt securities</th>
<th>Short Canada Provincial debt securities</th>
<th>Short Canada strips or Canada residuals</th>
<th>Short Provincial strips or Provincial residuals</th>
</tr>
</thead>
</table>
| **same maturity band**
- 5615(1)(i) and 5615(1)(ii)            | **same maturity band**
- 5615(2)(iii) and 5615(2)(iv)        | **same maturity band**
- 5615(3)(i) through 5615(3)(iii)    | **same maturity band**
- 5615(4)(i) through 5615(4)(iv)     |
| **different maturity bands**
- no offset available                   | **different maturity bands**
- no offset available                   | **different maturity bands**
- no offset available                   | **different maturity bands**
- no offset available                   |

<table>
<thead>
<tr>
<th>Long Provincial strips or Provincial residuals</th>
<th>Short foreign federal government debt securities</th>
<th>Short foreign federal government strips or foreign federal government residuals</th>
</tr>
</thead>
</table>
| **same maturity band**
- 5615(2)(i) and 5615(2)(ii)                | **same maturity band**
- 5615(1)(v) and 5615(1)(vi)               | **same maturity band**
- 5615(4)(i) through 5615(4)(iv)         |
| **different maturity bands**
- no offset available                        | **different maturity bands**
- no offset available                        | **different maturity bands**
- no offset available                        |

Refer to table in subsection 5610(1)
The following reference table summarizes the reduced margin offset strategies available between Canadian government debt securities and Canadian government guaranteed mortgage-backed securities:

<table>
<thead>
<tr>
<th>Long Canada debt securities</th>
<th>Short Canada debt securities</th>
<th>Short Canada mortgage-backed securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refer to table in subsection 5610(1)</td>
<td>Same maturity band - 5616(1)(i)</td>
<td>Same maturity band - offset available for long and short positions in same security</td>
</tr>
<tr>
<td>Long Canada mortgage-backed securities</td>
<td>Same maturity band - 5616(1)(i)</td>
<td>Different maturity bands - no offset available</td>
</tr>
<tr>
<td>Same maturity band - no offset available</td>
<td>Different maturity bands - no offset available</td>
<td></td>
</tr>
</tbody>
</table>

The following reference table summarizes the reduced margin offset strategies available between government debt securities and government debt futures contracts:

<table>
<thead>
<tr>
<th>Long Canada debt securities</th>
<th>Short Canada debt securities</th>
<th>Short Canada Provincial debt securities</th>
<th>Short Canada Municipal debt securities</th>
<th>Short Canada bond futures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refer to table in subsection 5610(1)</td>
<td>Same maturity band - 5617(1)(i)</td>
<td>Different maturity bands - 5618(1)(i)</td>
<td>Same maturity band - 5618(1)(ii)</td>
<td></td>
</tr>
<tr>
<td>Long Canada Provincial debt securities</td>
<td>Different maturity bands - no offset available</td>
<td>Different maturity bands - no offset available</td>
<td>Same maturity band - 5618(1)(ii)</td>
<td></td>
</tr>
<tr>
<td>Short Canada debt securities</td>
<td>Short Canada Provincial debt securities</td>
<td>Short Canada Municipal debt securities</td>
<td>Short Canada bond futures</td>
<td></td>
</tr>
<tr>
<td>-----------------------------</td>
<td>----------------------------------------</td>
<td>---------------------------------------</td>
<td>--------------------------</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>different maturity bands</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- 5618(1)(ii)</td>
<td></td>
</tr>
<tr>
<td>Long Canada Municipal debt securities</td>
<td>same maturity band</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long Canada bond futures</td>
<td>- 5617(1)(i)</td>
<td>same maturity band</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- 5618(1)(ii)</td>
<td>same maturity band</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- 5618(1)(iii)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>different maturity bands</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- refer to requirements on exchange on which the contract trades</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- no offset available</td>
<td></td>
</tr>
</tbody>
</table>

- margin computed on the net long or net short contract position
- different contracts - refer to requirements on exchange on which the contract trades
5611. **Government debt securities of same issuer and both maturing within one year**

(1) Where a Dealer Member or a client:

(i) has a long position in Canada debt securities, United States debt securities, Canada Provincial debt securities or any other debt security described in category (i) or category (ii) of subsection 5210(1), maturing within one year, and

(ii) has a short position in debt securities:

(a) issued or guaranteed by the same issuer (provided that for these purposes each of the provinces of Canada shall be regarded as the same issuer as any other province of Canada),

(b) in the same currency as the securities referred to in clause 5611(1)(i),

(c) maturing within one year, and

(d) with a market value equal to the securities referred to in clause 5611(1)(i),

the two positions may be offset and the minimum margin required for both positions may be computed as the excess of the normal margin required on the long (or short) position over the normal margin required on the short (or long) position.

5612. **Government debt securities of same issuer with same maturity band and both maturing in greater than or equal to one year**

(1) Where a Dealer Member or a client:

(i) has a long position in Canada debt securities, United States debt securities, Canada Provincial debt securities or any other debt security described in category (i) or category (ii) of subsection 5210(1), maturing in greater than or equal to one year, and

(ii) has a short position in debt securities:

(a) issued or guaranteed by the same issuer (provided that for these purposes each of the provinces of Canada shall be regarded as the same issuer as any other province of Canada),

(b) and in the same currency as the securities referred to in clause 5612(1)(i),

(c) maturing within the same maturity band as the securities referred to in clause 5612(1)(i), and

(d) with a market value equal to the securities referred to in clause 5612(1)(i),

the two positions may be offset and the minimum margin required for both positions may be computed with respect to the net long or net short position only.
5613. Government debt securities with different maturity bands

(1) Where a Dealer Member or a client has one of the following long government debt security position and short government debt security position pairings:

<table>
<thead>
<tr>
<th>Long (short) position</th>
<th>Short (long) position</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Canada debt securities</td>
<td>and Canada debt securities</td>
</tr>
<tr>
<td>(ii) Canada debt securities</td>
<td>and Canada Provincial debt securities</td>
</tr>
<tr>
<td>(iii) Canada Provincial debt securities</td>
<td>and Canada Provincial debt securities</td>
</tr>
</tbody>
</table>

and the positions have the same currency denomination and market value but are within different maturity bands, the two positions may be offset and the minimum margin required for both positions may be computed as 50% of the greater of the margins normally required on the long (or short) and the short (or long) positions.

5614. Government debt securities of different issuers with same maturity band

(1) Where a Dealer Member or a client has one of the following long government debt security position and short government debt security position pairings:

<table>
<thead>
<tr>
<th>Long (short) position</th>
<th>Short (long) position</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Canada debt securities</td>
<td>and Canada Provincial debt securities</td>
</tr>
<tr>
<td>(ii) Canada debt securities</td>
<td>and highly rated Canada Municipal debt securities with a high issuer credit rating</td>
</tr>
<tr>
<td>(iii) Canada Provincial debt securities</td>
<td>and highly rated Canada Municipal debt securities with a high issuer credit rating</td>
</tr>
</tbody>
</table>

and the positions have the same currency denomination and market value and are within the same maturity band, the two positions may be offset and the minimum margin required for both positions may be computed as 50% of the greater of the margins normally required on the long (or short) and the short (or long) positions.

(2) In subsection 5614(1) “Canada Municipal debt securities with a high issuer credit rating” are debt securities issued or guaranteed by a Canadian municipal government with a long-term issuer credit rating of “A” or higher by a designated rating organization.

(3) Where a Dealer Member or a client has one of the following long government debt security position and short government debt security position pairings:

<table>
<thead>
<tr>
<th>Long (short) position</th>
<th>Short (long) position</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Canada debt securities</td>
<td>and United States debt securities</td>
</tr>
<tr>
<td>(ii) United States debt securities</td>
<td>and Canada Provincial debt securities</td>
</tr>
<tr>
<td>(iii) Canada debt securities</td>
<td>and Canada Municipal debt securities</td>
</tr>
<tr>
<td>(iv) United States debt securities</td>
<td>and Canada Municipal debt securities</td>
</tr>
<tr>
<td>(v) Canada Provincial debt securities</td>
<td>and Canada Municipal debt securities</td>
</tr>
</tbody>
</table>

and the positions have the same currency denomination and market value and are within the same maturity band, the two positions may be offset and the minimum margin required for both positions may be computed as 50% of the greater of the margins normally required on the long (or short) and the short (or long) positions.
positions may be computed as the greater of the margins normally required on the long (or short) and the short (or long) positions.

5615. **Offsets involving government debt securities and strip coupons or residuals**

1. Where a *Dealer Member* or a client has one of the following long (short) government debt security position and short (long) government strip coupon or residual position pairings:

<table>
<thead>
<tr>
<th>Long (short) position</th>
<th>Short (long) position</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Canada debt securities</td>
<td>Canada strips</td>
</tr>
<tr>
<td>(ii) Canada debt securities</td>
<td>Canada residuals</td>
</tr>
<tr>
<td>(iii) Federal government debt securities eligible for margin pursuant to category (i) of subsection 5210 (1)</td>
<td>Same federal government strips</td>
</tr>
<tr>
<td>(iv) Federal government debt securities eligible for margin pursuant to category (i) of subsection 5210 (1)</td>
<td>Same federal government residuals</td>
</tr>
<tr>
<td>(v) Canada Provincial debt securities</td>
<td>Canada Provincial strips</td>
</tr>
<tr>
<td>(vi) Canada Provincial debt securities</td>
<td>Canada Provincial residuals</td>
</tr>
</tbody>
</table>

and the positions have the same currency denomination and *market value* and are within the same *maturity band*, the two positions may be offset and the minimum margin required for both positions may be computed as the excess of the *normal margin required* on the strip coupon or residual position over the normal margin required on the debt security position.

2. Where a *Dealer Member* or a client has one of the following long (short) government debt security position and short (long) government strip coupon or government residual position pairings:

<table>
<thead>
<tr>
<th>Long (short) position</th>
<th>Short (long) position</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Canada debt securities</td>
<td>Canada Provincial strips</td>
</tr>
<tr>
<td>(ii) Canada debt securities</td>
<td>Canada Provincial residuals</td>
</tr>
<tr>
<td>(iii) Canada Provincial debt securities</td>
<td>Canada strips</td>
</tr>
<tr>
<td>(iv) Canada Provincial debt securities</td>
<td>Canada residuals</td>
</tr>
</tbody>
</table>

and the positions have the same currency denomination and *market value* and are within the same *maturity band*, the two positions may be offset and the minimum margin required for both positions may be computed as 50% of the total *normal margin required* for both positions.

3. Where a *Dealer Member* or a client has one of the following government strip coupon or government residual position pairings:

<table>
<thead>
<tr>
<th>Long (short) position</th>
<th>Short (long) position</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Canada strips</td>
<td>Canada strips</td>
</tr>
<tr>
<td>(ii) Canada residuals</td>
<td>Canada residuals</td>
</tr>
<tr>
<td>(iii) Canada strips</td>
<td>Canada residuals</td>
</tr>
</tbody>
</table>
(iv)  Canada Provincial strips  and  Canada Provincial strips  
(v)  Canada Provincial residuals  and  Canada Provincial residuals  
(vi)  Canada Provincial strips  and  Canada Provincial residuals  

and the positions have the same currency denomination and market value and are within the same maturity band, the two positions may be offset and the minimum margin required for both positions may be computed as the excess of the normal margin required on the long (or short) position over the normal margin required on the short (or long) position.

(4) Where a Dealer Member or a client has one of the following government strip coupon or government residual position pairings:

<table>
<thead>
<tr>
<th>Long (short) position</th>
<th>Short (long) position</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Canada strips</td>
<td>and  Canada Provincial strips</td>
</tr>
<tr>
<td>(ii) Canada strips</td>
<td>and  Canada Provincial residuals</td>
</tr>
<tr>
<td>(iii) Canada residuals</td>
<td>and  Canada Provincial strips</td>
</tr>
<tr>
<td>(iv) Canada residuals</td>
<td>and  Canada Provincial residuals</td>
</tr>
</tbody>
</table>

and the positions have the same currency denomination and market value and are within the same maturity band, the two positions may be offset and the minimum margin required for both positions may be computed as 50% of the total normal margin required for both positions.

5616. Offsets involving government debt securities and government guaranteed mortgage-backed securities

(1) Subject to subsection 5616(2), where a Dealer Member or a client has the following pairing:

<table>
<thead>
<tr>
<th>Long (short) position</th>
<th>Short (long) position</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Canada debt securities</td>
<td>and  Canada guaranteed mortgage-backed securities</td>
</tr>
</tbody>
</table>

and the positions have the same currency denomination and market value and are within the same maturity band, the two positions may be offset and the minimum margin required for both positions may be computed as the excess of the normal margin required on the mortgage-backed security position over the normal margin required on the debt security position.

(2) Where:

(i) the market value of the mortgage-backed securities position equals or exceeds the remaining principal amount of such position, and

(ii) the mortgages underlying the mortgage-backed securities position are subject to being repaid with or without penalty in full at the option of the mortgagee prior to maturity, the two positions may be offset and the minimum margin required for both positions may be computed as the greater of the normal margin required on the mortgage-backed security position and the normal margin required on the debt security position.

5617. Offsets involving government debt securities and Government of Canada notional bond futures contracts with same underlying issuer and same maturity bands

(1) Where a Dealer Member or a client has the following pairing:
5617.  Other offsets involving government debt securities and Government of Canada notional bond futures contracts

(1) Where a Dealer Member or a client has one of the following long (short) government debt security position and short (long) Government of Canada notional bond futures contract position pairings:

<table>
<thead>
<tr>
<th>Long (short) position</th>
<th>Short (long) position</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Canada debt securities and Government of Canada notional bond futures contract</td>
<td></td>
</tr>
</tbody>
</table>

and the positions have the same currency denomination and market value and are within the same maturity band, the two positions may be offset and the minimum margin required for both positions may be computed with respect to the net long or net short position only.

(2) For a client account offset as set out in subsection 5617(1), the futures contracts must be excluded from the domestic gross customer margin model.

5618.  Other offsets involving government debt securities and Government of Canada notional bond futures contracts

(1) Where a Dealer Member or a client has one of the following long (short) government debt security position and short (long) Government of Canada notional bond futures contract position pairings:

<table>
<thead>
<tr>
<th>Long (short) position</th>
<th>Short (long) position</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Canada debt securities in different maturity band and Government of Canada notional bond futures contract</td>
<td></td>
</tr>
<tr>
<td>(ii) Canada Provincial debt securities in same or different maturity band and Government of Canada notional bond futures contract</td>
<td></td>
</tr>
<tr>
<td>(iii) Canada Municipal debt securities with a high issuer credit rating in same maturity band and Government of Canada notional bond futures contract</td>
<td></td>
</tr>
</tbody>
</table>

and the positions have the same currency denomination and market value, the two positions may be offset and the minimum margin required for both positions may be computed as 50% of the greater of the margins normally required on the long (or short) and the short (or long) positions.

(2) In subsection 5618(1) “Canada Municipal debt securities with a high issuer credit rating” are debt securities issued or guaranteed by a Canadian municipal government with a long-term issuer credit rating of “A” or higher by a designated rating organization.

(3) For a client account offset as set out in subsection 5618(1), the futures contracts must be excluded from the domestic gross customer margin model.

5619.  Reserved.

5620.  Summary reference tables

(1) The following reference table summarizes the reduced margin offset strategies available among commercial and corporate debt securities:
The following reference table summarizes the reduced margin offset strategies available between commercial and corporate debt securities and strip and residual debt instruments:

<table>
<thead>
<tr>
<th>Short commercial and corporate debt securities</th>
<th>Short Canadian chartered bank acceptances</th>
<th>Short Canadian bankers acceptance futures contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long commercial and corporate debt securities</td>
<td>same maturity band - offset available for securities of same issuer - 5621(1)(i)</td>
<td>same maturity band - no offset available</td>
</tr>
<tr>
<td></td>
<td>different maturity bands - no offset available</td>
<td>different maturity bands - no offset available</td>
</tr>
<tr>
<td>Long Canadian chartered bank acceptances</td>
<td>same maturity band - no offset available</td>
<td>same maturity band - offset available for same security only - 5622(1)(i)</td>
</tr>
<tr>
<td></td>
<td>different maturity bands - no offset available</td>
<td>different maturity bands - no offset available</td>
</tr>
<tr>
<td>Long Canadian bankers acceptance futures contracts</td>
<td>same maturity band - no offset available</td>
<td>same maturity band - 5622(1)(i)</td>
</tr>
</tbody>
</table>
| | different maturity bands - no offset available | different maturity bands - no offset available | • same contract - margin computed on the net long or net short contract position
• different contracts - refer to requirements on exchange on which the contract trades
| | | | different maturity bands - refer to requirements on exchange on which the contract trades |

(2) The following reference table summarizes the reduced margin offset strategies available between commercial and corporate debt securities and strip and residual debt instruments:
<table>
<thead>
<tr>
<th>Short commercial and corporate debt</th>
<th>Short commercial and corporate debt strips or residuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long commercial and corporate debt</td>
<td>Refer to table in subsection 5620(1)</td>
</tr>
<tr>
<td></td>
<td>same maturity band</td>
</tr>
<tr>
<td></td>
<td>- offset available where strip or residual is of the same issuer</td>
</tr>
<tr>
<td></td>
<td>- 5623(1)(i)</td>
</tr>
<tr>
<td></td>
<td>different maturity bands</td>
</tr>
<tr>
<td></td>
<td>no offset available</td>
</tr>
<tr>
<td>Long commercial and corporate debt strips or residuals</td>
<td>same maturity band</td>
</tr>
<tr>
<td></td>
<td>- offset available where strip or residual is of the same issuer</td>
</tr>
<tr>
<td></td>
<td>- 5623(1)(i)</td>
</tr>
<tr>
<td></td>
<td>different maturity bands</td>
</tr>
<tr>
<td></td>
<td>no offset available</td>
</tr>
</tbody>
</table>

(3) The following reference table summarizes the reduced margin offset strategies available between commercial and corporate debt securities and government debt futures contracts:

<table>
<thead>
<tr>
<th>Short commercial and corporate debt</th>
<th>Short Canada bond futures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long commercial and corporate debt</td>
<td>Refer to table in subsection 5620(1)</td>
</tr>
<tr>
<td></td>
<td>same maturity band</td>
</tr>
<tr>
<td></td>
<td>- 5624(1)(i)</td>
</tr>
<tr>
<td></td>
<td>different maturity bands</td>
</tr>
<tr>
<td></td>
<td>no offset available</td>
</tr>
<tr>
<td>Long Canada bond futures</td>
<td>Refer to table in subsection 5610(5)</td>
</tr>
<tr>
<td></td>
<td>same maturity band</td>
</tr>
<tr>
<td></td>
<td>- 5624(1)(i)</td>
</tr>
<tr>
<td></td>
<td>different maturity bands</td>
</tr>
<tr>
<td></td>
<td>no offset available</td>
</tr>
</tbody>
</table>

5621. Commercial and corporate debt securities of same issuer with same maturity band

(1) Where a Dealer Member or a client has the following pairing:

<table>
<thead>
<tr>
<th>Long (short) position</th>
<th>Short (long) position</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) highly rated non-convertible commercial and corporate debt securities</td>
<td>highly rated non-convertible commercial and corporate debt securities of the same issuer</td>
</tr>
</tbody>
</table>
and the positions have the same currency denomination and market value and are within the same maturity band, the two positions may be offset and the minimum margin required for both positions may be computed as the greater of the margins normally required on the long (or short) and the short (or long) positions.

(2) In subsection 5621(1) “highly rated non-convertible commercial and corporate debt securities” are non-convertible commercial and corporate debt securities currently rated “A” or higher by a designated rating organization.

5622. Offsets involving Canadian chartered bank acceptances and Canadian bankers acceptance futures contracts with same maturity bands

(1) Where a Dealer Member or a client has the following pairing:

<table>
<thead>
<tr>
<th>Long (short) position</th>
<th>Short (long) position</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) highly rated chartered bank and acceptance</td>
<td>Canadian banker acceptance futures contract</td>
</tr>
</tbody>
</table>

and the positions have the same currency denomination and market value and are within the same maturity band, the two positions may be offset and the minimum margin required for both positions may be computed with respect to the net long or net short position only.

(2) In subsection 5622(1) “highly rated chartered bank acceptances” are bank acceptances currently rated “A” or higher by a designated rating organization.

(3) For a client account offset as set out in subsection 5622(1), the futures contracts must be excluded from the domestic gross customer margin model.

5623. Offsets involving commercial and corporate debt securities and strip coupons or residuals

(1) Where a Dealer Member or a client has the following pairing:

<table>
<thead>
<tr>
<th>Long (short) position</th>
<th>Short (long) position</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) highly rated non-convertible and corporate debt securities</td>
<td>strips or residuals whose underlier is highly rated non-convertible commercial and corporate debt securities of the same issuer</td>
</tr>
</tbody>
</table>

and the positions have the same currency denomination and market value and are within the same maturity band, the minimum margin required for both positions may be computed as the greater of the margins normally required on the long (or short) and the short (or long) positions, subject to a maximum margin rate requirement of 20%.

(2) In subsection 5623(1) “highly rated non-convertible commercial and corporate debt securities” are non-convertible commercial and corporate debt securities currently rated “A” or higher by a designated rating organization.

5624. Offsets involving commercial and corporate debt securities and Government of Canada notional bond futures contracts

(1) Where a Dealer Member or a client has one of the following long (short) commercial and corporate debt security position and short (long) Government of Canada notional bond futures contract position pairings:
Corporation Investment Dealer and Partially Consolidated Rules

Series 5000 | Dealer Member Margin Rules

5600. - 5609. Reserved.

OFFSETS INVOLVING GOVERNMENT AND COMMERCIAL AND CORPORATE DEBT SECURITIES AND RELATED INSTRUMENTS

5630. Summary reference table

(1) The following reference table summarizes the reduced margin offset strategies available between government debt securities and commercial and corporate debt securities:

<table>
<thead>
<tr>
<th>Long Canada debt securities</th>
<th>Short Canada debt securities</th>
<th>Short United States treasury debt securities</th>
<th>Short Canada Provincial debt securities</th>
<th>Short commercial and corporate debt securities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Refer to table in subsection 5610(1)</td>
<td></td>
<td></td>
<td>same maturity band</td>
</tr>
<tr>
<td>Long United States treasury debt securities</td>
<td></td>
<td></td>
<td></td>
<td>- 5631(1)(i) different maturity bands</td>
</tr>
</tbody>
</table>

(2) In subsection 5624(1) “highly rated non-convertible commercial and corporate debt securities” are non-convertible commercial and corporate debt securities currently rated “A” or higher by a designated rating organization.

(3) For a client account offset as set out in subsection 5624(1), the futures contracts must be excluded from the domestic gross customer margin model.
<table>
<thead>
<tr>
<th>Long Canada Provincial debt securities</th>
<th>Short Canada debt securities</th>
<th>Short United States treasury debt securities</th>
<th>Short Canada Provincial debt securities</th>
<th>Short commercial and corporate debt securities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- no offset available</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>same maturity band</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- 5631(1)(iii)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>different maturity bands</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- no offset available</td>
</tr>
<tr>
<td>Long commercial and corporate debt securities</td>
<td>same maturity band - 5631(1)(i)</td>
<td>same maturity band - 5631(1)(ii)</td>
<td>same maturity band - 5631(1)(iii)</td>
<td>Refer to table in subsection 5620(1)</td>
</tr>
<tr>
<td></td>
<td>different maturity bands - no offset available</td>
<td>different maturity bands - no offset available</td>
<td>different maturity bands - no offset available</td>
<td></td>
</tr>
</tbody>
</table>

5631. Government and commercial corporate debt securities with same maturity band

Where a Dealer Member or a client has one of the following long (short) government and short (long) commercial and corporate debt security position pairings:

- (i) Canada debt securities and highly rated non-convertible commercial and corporate debt securities
- (ii) United States treasury debt securities and highly rated non-convertible commercial and corporate debt securities
- (iii) Canada Provincial debt securities and highly rated non-convertible commercial and corporate debt securities

and the positions have the same currency denomination and market value and are within the same maturity band, the two positions may be offset and the minimum margin required for both positions may be computed as the greater of the margins normally required on the long (or short) and the short (or long) positions.
(2) In subsection 5631(1) “highly rated non-convertible commercial and corporate debt securities” are non-convertible commercial and corporate debt securities currently rated “A” or higher by a designated rating organization.

5632. - 5639. Reserved.

OFFSETS INVOLVING CONVERTIBLE SECURITIES

5640. Summary reference table

(1) The following reference table summarizes the basic reduced margin offset strategies available for convertible securities:

<table>
<thead>
<tr>
<th>Long convertible security</th>
<th>Short convertible security</th>
<th>Short underlying security</th>
</tr>
</thead>
<tbody>
<tr>
<td>currently convertible</td>
<td>currently convertible</td>
<td></td>
</tr>
<tr>
<td>- offset available for long and short positions in the same security</td>
<td>- offset available where:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• convertible into the underlying security - 5641(1)(i)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• convertible into the cash equivalent of the unit value of the underlying security - 5641(1)(i) and 5641(1)(ii)</td>
<td></td>
</tr>
<tr>
<td>not currently convertible</td>
<td>not currently convertible</td>
<td></td>
</tr>
<tr>
<td>- offset available for long and short positions in same security</td>
<td>- 5642(1)</td>
<td></td>
</tr>
</tbody>
</table>

Long underlying security

<table>
<thead>
<tr>
<th>Short convertible security</th>
<th>Short underlying security</th>
</tr>
</thead>
<tbody>
<tr>
<td>offset available</td>
<td></td>
</tr>
<tr>
<td>- 5643(1)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>offset available for long and short positions in the same security</td>
</tr>
</tbody>
</table>

(2) Other reduced margin offset strategies available for convertible securities:

(i) offset relating to a pending amalgamation, acquisition, spin-off or other securities related reorganization transaction - 5644

5641. Offset where convertible security is held long and is currently convertible

(1) Where a Dealer Member or a client holds a long position in a convertible security which is currently convertible and a short position in the underlying security and equivalent quantities of both positions are held, the two positions may be offset and the minimum margin required for both positions may be computed as the sum of:

(i) the conversion loss, if any,

and
(ii) if the convertible security cannot be converted directly into the underlying security at the holder’s option, 20% of the normal margin required on the underlying security.

5642. Offset where convertible security is held long and is not currently convertible

(1) Where a Dealer Member or a client holds a long position in a convertible security which is not currently convertible and a short position in the underlying security and equivalent quantities of both positions are held, the two positions may be offset and the minimum margin required for both positions may be computed as the sum of:

(i) the conversion loss, if any,

and

(ii) 40% of the normal margin required on the underlying security.

5643. Offset where convertible security is held short

(1) Where a Dealer Member or a client holds a long position in the underlying security and a short position in a convertible security and equivalent quantities of both positions are held, the two positions may be offset and the minimum margin required for both positions may be computed as the sum of:

(i) the conversion loss, if any,

and

(ii) 40% of the normal margin required on the underlying security.

5644. Offset relating to a pending amalgamation, acquisition, spin-off or other securities related reorganization transaction

(1) Where a Dealer Member or a client holds a long position in Oldco securities and short position in Newco securities and equivalent quantities of both positions are held and the pending reorganization that resulted in the creation of the Newco securities has received approval to proceed, the two positions may be offset and the minimum margin required for both positions may be computed as the excess of the combined market value of the Oldco securities over the combined market value of the Newco securities, if any.

(2) For the purposes of subsection 5644(1), “approval to proceed” means that:

(i) all legal requirements to proceed with the reorganization have been met,

(ii) all regulatory, competition bureau and court approvals to proceed with the reorganization have been received, and

(iii) the Oldco securities will be cancelled and replaced by an equivalent number of Newco securities within 20 business days.

5645. - 5649. Reserved.
OFFSETS INVOLVING CAPITAL SHARES

5650. Summary reference tables

(1) The following reference table summarizes the basic reduced margin offset strategies available for capital shares:

<table>
<thead>
<tr>
<th>Short capital share, with a conversion feature</th>
<th>Short capital share and short split share preferred share, both with a conversion feature</th>
<th>Short underlying security</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long capital share, with a conversion feature</td>
<td>offset available for long and short positions in same capital share. Normal margin to be provided on short split share preferred share position</td>
<td>capital share can be converted into underlying security - 5651(1)(i)</td>
</tr>
<tr>
<td>Long capital share and long split share preferred share, both with a conversion feature</td>
<td>offset available for long and short positions in same capital share and same split share preferred share</td>
<td>capital share and split share preferred share can be converted into underlying security - 5652(1)(i)</td>
</tr>
</tbody>
</table>

normal margin to be provided on long split share preferred share position
<table>
<thead>
<tr>
<th>Long underlying security</th>
<th>Short capital share, with a conversion feature</th>
<th>Short capital share and short split share preferred share, both with a conversion feature</th>
<th>Short underlying security</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>offset available - 5653(1)</td>
<td>offset available - 5654(1)</td>
<td>offset available for long and short positions in same underlying security</td>
</tr>
</tbody>
</table>

(2) Other reduced margin offset strategies available for capital shares:

(i) offset involving long capital share and short call option contract positions - 5655

5651. Offset involving long capital share and short underlying common share positions

(1) Where a Dealer Member or a client holds a long capital share position and a short underlying common share position and equivalent quantities of both positions are held, the two positions may be offset and the minimum margin required for both positions may be computed as the sum of:

(i) lesser of:

(a) the sum of:

(I) the capital share conversion loss, if any, and

(II) the normal margin required on the equivalent quantity of split share preferred shares,

and

(b) the normal margin required on the underlying common shares,

and

(ii) if the capital shares cannot be delivered to the split share company for retraction directly into the underlying security at the holder’s option, 20% of the margin otherwise required on the underlying common shares.

5652. Offset involving long capital share, long split share preferred share and short underlying common share positions

(1) Where a Dealer Member or a client holds a long capital share position, a long split share preferred share position and a short underlying common share position and equivalent quantities of all positions are held, the three positions may be offset and the minimum margin required for all positions may be computed as the sum of:

(i) lesser of:

(a) the combined conversion loss, if any, and

(b) the normal margin required on the underlying common shares,
(ii) if the capital shares cannot be delivered to the split share company for retraction directly into the underlying security at the holder’s option, 20% of the margin otherwise required on the underlying common shares.

5653. Offset involving short capital share and long underlying common share positions

(1) Where a Dealer Member or a client holds a short capital share position and a long underlying common share position and equivalent quantities of both positions are held, the two positions may be offset and the minimum margin required for both positions may be computed as the sum of:

(i) lesser of:

(a) the sum of:

(I) the capital share conversion loss, if any, and

(II) the normal margin required on the equivalent quantity of split share preferred shares,

and

(b) the normal margin required on the underlying common shares,

and

(ii) 40% of the normal margin required on the underlying common shares.

5654. Offset involving short capital share, short split share preferred share and long underlying common share positions

(1) Where a Dealer Member or a client holds a short capital share position, a short split share preferred share position and a long underlying common share position and equivalent quantities of all positions are held, the three positions may be offset and the minimum margin required for all positions may be computed as the sum of:

(i) lesser of:

(a) the combined conversion loss, if any, and

(b) the normal margin required on the underlying common shares,

and

(ii) 40% of the normal margin required on the underlying common shares.

5655. Offset involving long capital share and short call option contract positions

(1) Where a Dealer Member or a client holds a long capital share position and a short call option contract position expiring on or before the redemption date of the capital shares and equivalent quantities of both positions are held, the two positions may be offset and the minimum margin required for both positions may be computed as the sum of:

(i) lesser of:

(a) the normal margin required on the capital share position less the market value of the call option contract position, provided that the net amount may not be less than zero,

and
(b) any excess of the *market value* of the underlying common shares over the *aggregate exercise value* of the *call option* contract position,

and

(ii) the *capital share conversion loss*, if any,

and

(iii) if the *capital shares* cannot be delivered to the *split share company* for retraction directly into the *underlying security* at the holder’s option, 20% of the *normal margin required* on the underlying common shares.

5656. - 5659. **Reserved.**

**OFFSETS INVOLVING WARRANTS, RIGHTS, INSTALLMENT RECEIPTS AND OTHER EXERCISABLE SECURITIES**

5660. **Summary reference tables**

(1) The following reference table summarizes the basic reduced margin offset strategies available for *exercisable securities*:

<table>
<thead>
<tr>
<th>Short exercisable security</th>
<th>Short underlying security</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Long exercisable security</strong></td>
<td><strong>Currently exercisable</strong></td>
</tr>
<tr>
<td>- offset available for long and short positions in same security</td>
<td>- offset available where:</td>
</tr>
<tr>
<td></td>
<td>• <em>exercisable security</em> can be exercised into <em>underlying security</em></td>
</tr>
<tr>
<td></td>
<td>- 5661(1)(i) and 5661(1)(ii)</td>
</tr>
<tr>
<td></td>
<td>• <em>exercisable security</em> can be exercised into cash equivalent of unit value of <em>underlying security</em></td>
</tr>
<tr>
<td></td>
<td>- 5661(1)(i) through 5661(1)(iii)</td>
</tr>
<tr>
<td><strong>Long underlying security</strong></td>
<td><strong>Offset available</strong></td>
</tr>
<tr>
<td>- 5663(1)</td>
<td>- 5662(1)</td>
</tr>
</tbody>
</table>
5661. Offset where exercisable security is held long and is currently exercisable
   (1) Where a Dealer Member or a client holds a long position in an exercisable security which is
currently exercisable and a short position in the underlying security and equivalent quantities of
both positions are held, the two positions may be offset and the minimum margin required for
both positions may be computed as the sum of:
   (i) the exercise loss, if any,
   and
   (ii) for client account positions, the amount of the exercise or subscription payment,
   and
   (iii) if the exercisable security cannot be converted directly into the underlying security at the
holder’s option, 20% of the normal margin required on the underlying securities.

5662. Offset where exercisable security is held long and is not currently exercisable
   (1) Where a Dealer Member or a client holds a long position in an exercisable security which is not
currently exercisable and a short position in the underlying security and equivalent quantities of
both positions are held, the two positions may be offset and the minimum margin required for
both positions may be computed as the sum of:
   (i) the exercise loss, if any,
   and
   (ii) for client account positions, the amount of the exercise or subscription payment,
   and
   (iii) 40% of the margin otherwise required on the underlying securities.

5663. Offset where exercisable security is held short
   (1) Where a Dealer Member or a client holds a long position in the underlying security and a short
position in an exercisable security and equivalent quantities of both positions are held, the two
positions may be offset and the minimum margin required for both positions may be computed
as the sum of:
   (i) the exercise loss, if any,
   and
   (ii) for client account positions, the amount of the exercise or subscription payment,
   and
   (iii) 40% of the margin otherwise required on the underlying securities.

5664. - 5669. Reserved.
OFFSETS ONLY AVAILABLE FOR DEALER MEMBER INVENTORY POSITIONS

DEBT SECURITIES

5670. Offsets involving callable, extendible and retractable debt securities

(1) Where a Dealer Member holds a position in callable, extendible or retractable debt securities they may elect to use a different maturity date for reduced margin offset purposes than the original maturity date of the security if the applicable conditions in the chart below are met:

<table>
<thead>
<tr>
<th>Security</th>
<th>Condition</th>
<th>Maturity date election</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Callable debt</td>
<td><em>Market value of security at or below 101% of call value</em></td>
<td>Original maturity date</td>
</tr>
<tr>
<td>security</td>
<td><em>Market value of security greater than 101% of the call value</em></td>
<td>First business day after expiry date of call protection period</td>
</tr>
<tr>
<td>(ii) Extendible</td>
<td><em>Extension election period</em> has not expired and security is trading at or below the:*</td>
<td>Original maturity date</td>
</tr>
<tr>
<td>debt security</td>
<td><em>extension factor x current principal amount</em></td>
<td>Extension maturity date</td>
</tr>
<tr>
<td></td>
<td><em>Extension election period</em> has not expired and security is trading above the:*</td>
<td></td>
</tr>
<tr>
<td></td>
<td><em>extension factor x current principal amount</em></td>
<td></td>
</tr>
<tr>
<td></td>
<td><em>Extension election period</em> has expired*</td>
<td>Original maturity date</td>
</tr>
<tr>
<td>(iii) Retractable</td>
<td><em>Retraction election period</em> has not expired and security is trading at or above the:*</td>
<td>Original maturity date</td>
</tr>
<tr>
<td>debt security</td>
<td><em>retraction factor x current principal amount</em></td>
<td></td>
</tr>
<tr>
<td></td>
<td><em>Retraction election period</em> has not expired and security is trading below the:*</td>
<td>Retraction maturity date</td>
</tr>
<tr>
<td>Security</td>
<td>Condition</td>
<td>Maturity date election</td>
</tr>
<tr>
<td>----------</td>
<td>-----------</td>
<td>-----------------------</td>
</tr>
<tr>
<td>retraction factor x current principal amount</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retraction election period has expired</td>
<td></td>
<td>Original maturity date</td>
</tr>
</tbody>
</table>

**5671. Offsets involving Canadian government debt or Canadian listed equity securities and futures and forward contracts**

(1) Where a Dealer Member has a position in bonds, debentures or treasury bills issued or guaranteed by the Government of Canada or in equity securities listed on the Toronto Stock Exchange and the account has an offsetting futures or forward contract position on the same security, the positions may be offset and the minimum margin required for the positions may be computed with respect to the net long or net short position only.

**5672. – 5679. Reserved.**

**OFFSETS ONLY AVAILABLE FOR DEALER MEMBER INVENTORY POSITIONS**

**SWAP POSITIONS**

**5680. Offset involving two interest rate swap positions**

(1) Where a Dealer Member inventory account contains the following pairing:

(i) a position in one or more interest rate swaps requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar fixed (or floating) interest rate amounts, and

(ii) another position in one or more interest rate swaps entitling it to receive (or requiring it to pay) a fixed (or floating) interest rate amount denominated in the same currency and within the same maturity band for margin purposes as the interest rate swap or swaps referred to in clause 5680(1)(i), the two positions in clauses 5680(1)(i) and 5680(1)(ii) may be offset and the minimum margin required for both positions may be computed as the net of the normal margin required for each position, provided that the normal margin required on the fixed interest rate payment (or receipt) component position may only be offset against the normal margin required on the fixed interest rate receipt (or payment) component position, and the normal margin required on the floating interest rate payment (or receipt) component position may only be offset against the normal margin required on the floating interest rate receipt (or payment) component position.

**5681. Offsets involving interest rate swaps and federal government debt security positions**

(1) Offset involving fixed interest rate swap component and federal government debt security positions - Where a Dealer Member inventory account contains the following pairing:

(i) a position in one or more interest rate swaps requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar fixed interest rate amounts,
and

(ii) a long (or short) position in Canada debt securities, United States debt securities, or any other debt securities described in category (i) of subsection 5210(1) denominated in the same currency as the interest rate swap or swaps and with a term to maturity that is within the same maturity band for margin purposes as the interest rate swap or swaps,

the two positions in clauses 5681(1)(i) and 5681(1)(ii) may be offset and the minimum margin required for both positions may be computed as the net of the normal margin required for each position. Any margin requirement calculated for the separate floating interest rate receipt (or payment) component position will continue to be required unless that position separately qualifies for the offset set out in subsection 5681(2).

(2) Offset involving floating interest rate swap component and federal government debt security positions - Where a Dealer Member inventory account contains the following pairing:

(i) a position in one or more interest rate swaps requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar floating interest rate amounts,

and

(ii) a long (or short) position in Canada debt securities, United States debt securities, or any other debt securities described in category (i) of subsection 5210(1) denominated in the same currency as the interest rate swap or swaps and maturing within one year,

the two positions in clauses 5681(2)(i) and 5681(2)(ii) may be offset and the minimum margin required for both positions may be computed as the net of the normal margin required in respect of the positions. Any margin requirement calculated for the separate fixed interest rate receipt (or payment) component position will continue to be required unless that position qualifies for the offset set out in subsection 5681(1).

5682. Offset involving two total performance swap positions

(1) Where a Dealer Member inventory account contains the following pairing:

(i) a position in one or more total performance swaps requiring it to pay (or entitling it to receive) Canadian dollar or United States dollar amounts calculated based on the performance of a stipulated underlying security or basket of securities,

and

(ii) another position in one or more total performance swaps entitling it to receive (or requiring it to pay) amounts calculated based on the performance of the same underlying security or basket of securities and denominated in the same currency,

the two positions in clauses 5682(1)(i) and 5682(1)(ii) may be offset and the minimum margin required for both positions may be computed as the net of the normal margin required for each position, provided that the normal margin required on the performance payment (or receipt) component position may only be offset against the normal margin required on the performance receipt (or payment) component position, and the normal margin required on the floating interest rate payment (or receipt) component position may only be offset against the normal margin required on the floating interest rate receipt (or payment) component position.
5683. Offsets involving total performance swaps and underlying security positions

(1) Offset involving short total performance swap component and long underlying security positions - Where a Dealer Member inventory account contains the following pairing:
   (i) a short position in one or more total performance swaps, and
   (ii) a long position in the same underlying security or basket of securities,
the two positions in clauses 5683(1)(i) and 5683(1)(ii) may be offset and the minimum margin required for both positions may be computed as either:
   (iii) where it can be demonstrated that sell-out risk relating to the offset has been mitigated:
      (a) through the inclusion of a realization clause in the total performance swap, which allows the Dealer Member to close out the swap using the sell-out price for the long position in the underlying security or basket of securities, or
      (b) since, due to the features inherent in the long position in the underlying security or basket of securities or the market on which the underlying security or basket of securities trades, the realization value of the long position in the underlying security or basket of securities is determinable at the time the total performance swap is to expire and this value will be used as the closeout price for the swap,
the net of the normal margin required for each position.
   or
   (iv) where sell-out risk relating to the offset has not been mitigated, the net of the normal margin required for each position plus 20% of the normal margin required on the hedged portion of the long position in the underlying security or basket of securities.

(2) Offset involving long total performance swap component and short underlying security positions - Where a Dealer Member inventory account contains the following pairing:
   (i) a long position in one or more total performance swaps, and
   (ii) a short position in the same underlying security or basket of securities,
the two positions in clauses 5682(3)(i) and 5682(3)(ii) may be offset and the minimum margin required for both positions may be computed as either:
   (iii) where it can be demonstrated that buy-in risk relating to the offset has been mitigated:
      (a) through the inclusion of a realization clause in the total performance swap, which allows the Dealer Member to close out the swap using the buy-in price for the short position in the underlying security or basket of securities, or
      (b) since, due to the features inherent in the short position in the underlying security or basket of securities or the market on which the underlying security or basket of securities trades, the realization value of the short position in the underlying security or basket of securities is determinable at the time the total performance swap is to expire and this value will be used as the closeout price for the swap,
the net of the normal margin required for each position.
   or
(iv) where buy-in risk relating to the offset has not been mitigated, the net of the normal margin required for each position plus 20% of the normal margin required on the hedged portion of the short position in the underlying security or basket of securities.

5684. – 5699. Reserved.
RULE 5700 | MARGIN REQUIREMENTS FOR OFFSET STRATEGIES INVOLVING DERIVATIVE PRODUCTS

5701. Introduction

(1) Rule 5700 addresses the margin treatment of derivative product positions that comprise reduced-risk offset strategies. The margin requirements for these strategies are generally less than if the positions are margined separately. Reduced margin in some cases is available for both Dealer Member inventory and client account offset strategies and in other cases is available for only Dealer Member inventory offset strategies. The derivative products covered in Rule 5700 include exchange-traded options whose underlying interests include:
- equities
- indexes
- index participation units
- debt
- currencies
and over-the-counter options, futures contracts and futures contract options.

(2) The order of subjects in Rule 5700 is:
(i) general requirements and summary reference tables [sections 5710 through 5715],
(ii) exchange-traded options,
   (a) unhedged option positions [sections 5720 through 5721],
   (b) hedged option positions [section 5725],
   (c) option spreads and combinations [sections 5730 through 5740],
   (d) security and option combinations and conversions [sections 5750 through 5755],
   (e) futures and options combinations and conversions [sections 5760 through 5765],
   (f) basket, participation unit and futures combinations [sections 5770 through 5772], and
   (g) cross index offsets and the optional use of the Standard Portfolio Analysis methodology [sections 5775 and 5776],
(iii) over-the-counter options [section 5780], and
(iv) futures contracts and futures contract options [section 5790].

5702. - 5709. Reserved.

GENERAL REQUIREMENTS AND SUMMARY REFERENCE TABLES

5710. Agreement and account requirements

(1) A Dealer Member writing exchange-traded options on behalf of a client must:
   (i) do so in a margin account and must have and maintain a written margin account agreement, or
   (ii) for registered accounts that may engage in certain trades involving exchange-traded options, have and maintain a written account agreement defining the rights and obligations between them relating to transacting in exchange-traded options.
(2) A Dealer Member writing over-the-counter options on behalf of a client must do so in a margin account.

(3) A Dealer Member writing and issuing or guaranteeing over-the-counter options on behalf of a client must either:
   (i) have and maintain with that client a separate written margin agreement defining the rights and obligations between them relating to transacting in over-the-counter options, or
   (ii) have and maintain with that client a supplementary over-the-counter options agreement defining the rights and obligations between them relating to transacting in over-the-counter options.

5711. Requirement to calculate and obtain margin from clients

(1) A Dealer Member must calculate and obtain minimum client margin from clients with option positions according to the following:
   (i) all open written transactions and resulting short positions must be carried in a margin account,
   (ii) each option must be margined separately and:
      (a) for equity, index participation unit, debt or currency options, any difference between the market price of the underlying interest, or
      (b) for index options, any difference between the current value of the index, and the exercise price of the option has value only in providing the amount of margin required on that particular option.

5712. Requirements for option offset strategies

(1) For all client account option offset strategies involving both short option and long option positions, the short option position must expire on or before the date of expiry of the long option position.

(2) For Dealer Member account option offset strategies involving index option and index participation unit option combinations included in subsection 5730(1), the short option position must expire on or before the date of expiry of the long option position.

5713. Imposition of special margin requirements

(1) The Corporation may impose special margin requirements on particular options or option positions.

5714. Treatment of option positions issued by different recognized option clearing corporations

(1) If a Dealer Member account or a client account holds options issued by different recognized option clearing corporations, with the same underlying interest, they may be treated as being equivalent when calculating margin for the account.

5715. Summary reference tables of common strategies

(1) The following reference list summarizes the margin requirements for unhedged positions in exchange-traded options:
   (i) long call option - 5720,
(ii) long put option - 5720,
(iii) short call option - 5721, and
(iv) short put option - 5721.

(2) The following reference table summarizes the most common reduced margin offset strategies available involving exchange-traded options:

<table>
<thead>
<tr>
<th>Long underlying interest</th>
<th>Short call option</th>
<th>Long put option</th>
<th>Short call option and long put option</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short underlying interest offset available for long and short positions in same security</td>
<td>long underlying interest / short call combination - 5750(1)(i)</td>
<td>long underlying interest / long put option contract combination - 5751(1)(i)</td>
<td>conversion or long tripo - 5754(1)(i)</td>
</tr>
<tr>
<td>Long call option</td>
<td>short underlying interest / long call option contract combination - 5752(1)(i)</td>
<td>short call option / long put option spread - 5730(1)(i)</td>
<td>long call option / short call option / long put option combination - 5733(1)(i)</td>
</tr>
<tr>
<td>Short put option</td>
<td>short underlying interest / short put combination - 5753(1)(i)</td>
<td>short call option / short put option spread - 5731(1)(i)</td>
<td>put option spread - 5730(1)(i)</td>
</tr>
<tr>
<td>Long call option and short put option</td>
<td>reconversion or short tripo - 5755(1)(i)</td>
<td>put option spread - 5730(1)(i)</td>
<td></td>
</tr>
</tbody>
</table>

(3) Other reduced margin offset strategies available involving exchange-traded options are as follows:

(i) option positions hedged by escrow receipts or letters of guarantee - 5725,
(ii) long warrant - short call offset - 5734,
(iii) box spread - 5735, and
(iv) butterfly, iron butterfly and iron condor spreads – 5736 through 5740.
(4) The following reference table summarizes additional reduced margin offset strategies available involving *qualifying baskets of index securities, index participation units, index options and index participation unit options*:

<table>
<thead>
<tr>
<th>Short qualifying basket of index securities</th>
<th>Short index participation units</th>
<th>Short index or index participation unit call options</th>
<th>Long index or index participation unit put options</th>
<th>Short and long respectively index or index participation unit call and put options</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Long qualifying basket of index securities</strong></td>
<td>offset available for long and short positions in same index product</td>
<td>long basket - short <em>index participation units</em></td>
<td>long basket - short call combination</td>
<td>long basket - long put combination</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- 5770(1)(i)</td>
<td>- 5750(1)(ii) and 5750(1)(iii)</td>
<td>- 5751(1)(ii) and 5751(1)(iii)</td>
</tr>
<tr>
<td><strong>Long index participation units</strong></td>
<td>short basket - long <em>index participation units</em></td>
<td>offset available for long and short positions in same index product</td>
<td>long <em>index participation units</em> - short call combination</td>
<td>long <em>index participation units</em> - long put combination</td>
</tr>
<tr>
<td></td>
<td>- 5771(1)(i)</td>
<td></td>
<td>- 5750(1)(iv) and 5750(1)(v)</td>
<td>- 5751(1)(iv) and 5751(1)(v)</td>
</tr>
<tr>
<td><strong>Long index or index participation unit call options</strong></td>
<td>short basket - long call combination</td>
<td>short <em>index participation unit</em> - long call combination</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Short qualifying basket of index securities</th>
<th>Short index participation units</th>
<th>Short index or index participation unit call options</th>
<th>Long index or index participation unit put options</th>
<th>Short and long respectively index or index participation unit call and put options</th>
</tr>
</thead>
<tbody>
<tr>
<td>- 5752(1)(ii) and 5752(1)(iii)</td>
<td>- 5752(1)(iv) and 5752(1)(v)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short index or index participation unit put options</td>
<td>short basket - short put combination</td>
<td>short <em>index participation unit</em> - short put combination</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- 5753(1)(ii) and 5753(1)(iii)</td>
<td>- 5753(1)(iv) and 5753(1)(v)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long and short respectively index or index participation unit call and put options</td>
<td>short tripo or reconversion</td>
<td>short tripo or reconversion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- 5755(1)(ii) and 5755(1)(iii)</td>
<td>- 5755(1)(iv) and 5755(1)(v)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The following reference table summarizes additional reduced margin offset strategies available involving *index futures contracts, index options* and *index participation unit options*:

<table>
<thead>
<tr>
<th>Long index futures contract</th>
<th>Short index or index participation unit call options</th>
<th>Long index or index participation unit put options</th>
<th>Short and long respectively index or index participation unit call and put options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short index futures contract</td>
<td>Same contract month - margin computed in respect to the net long or net short position only different contract months - refer to requirements on exchange on which the contract trades</td>
<td>Short calls - long <em>index futures contracts</em> - 5760(1)(i) and 5760(1)(ii)</td>
<td>Futures conversion or long tripo - 5764(1)(i) and 5764(1)(ii)</td>
</tr>
<tr>
<td>Long index or index participation unit call options</td>
<td>Long calls - short <em>index futures contracts</em> - 5762(1)(i) and 5762(1)(ii)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short index or index participation unit put options</td>
<td>Short puts - short <em>index futures contracts</em> - 5763(1)(i) and 5763(1)(ii)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Refer to table in subsection 5715(2)
The following reference table summarizes additional reduced margin offset strategies available involving index futures contracts, qualifying baskets of index securities and index participation units:

<table>
<thead>
<tr>
<th>Short qualifying basket of index securities</th>
<th>Short index participation units</th>
<th>Short index futures contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long qualifying basket of index securities</td>
<td>Refer to table in subsection 5715(4)</td>
<td>Long qualifying basket of index securities - Short index futures contracts - 5772(1)(i)</td>
</tr>
<tr>
<td>Long index participation units</td>
<td></td>
<td>Long index participation units - short index futures contracts - 5772(1)(ii)</td>
</tr>
<tr>
<td>Long index futures contracts</td>
<td>Short qualifying basket of index securities - long index futures contracts - 5772(1)(i)</td>
<td>Refer to table in subsection 5715(5)</td>
</tr>
</tbody>
</table>

Futures reconversion or short tripo
- 5765(1)(i) and 5765(1)(ii)
(7) Other reduced margin offset strategies available involving any combination of *qualifying baskets of index securities, index participation units, index options, index participation unit options and index futures contracts* are as follows:

(i) long *qualifying basket of index securities* - short *index participation unit call options* - commitment to purchase *index participation units* (Dealer Member only) - 5550,

(ii) long *qualifying basket of index securities* - long *index participation unit put options* - commitment to purchase *index participation units* (Dealer Member only) - 5551, and

(iii) long *qualifying basket of index securities* - short *index participation units* - commitment to purchase *index participation units* (Dealer Member only) - 5552.

5716. - 5719. Reserved.

EXCHANGE-TRADED OPTIONS - UNHEDGED OPTION POSITIONS

5720. Long option positions

(1) Subject to subsection 5720(2), the minimum *Dealer Member inventory margin* and *client account margin* required for long *exchange-traded option* positions is the sum of:

(i) the lesser of:

(a) a percentage of the *market value* of the *underlying interest* determined using the following percentages:

(I) for *equity options*, the margin rate used for the *underlying interest* as determined in section 5311,

(II) for *index options or index participation unit options*, the published *floating margin rate* for the *index or index participation unit* calculated according to the formula set out in section 5360,

(III) for *debt options*, the margin rate used for the *underlying interest* as determined in section 5210,

(IV) for *currency options*, the *Corporation’s* published spot risk margin rate for the *currency* calculated according to the formula set out in subsection 5460(1),

and

(b) the *option’s in-the-money* amount, if any,

plus

(ii) where the period to expiry is greater or equal to nine months, 50% of the *option’s time value*, 100% of the *option’s time value* otherwise.

(2) If the position in subsection 5720(1) is a long *call option* on an equity that is the subject of a legal and binding cash take-over bid for which all conditions have been met, the margin required on that *call option* is:

(i) the *market value* of the *call option*,

minus

(ii) the excess, if any, of the amount offered over the *exercise value* of the *call option*.
If the take-over bid is made for less than 100% of the issued and outstanding securities, the margin requirement must be applied pro rata in the same proportion as the offer, and subsection 5720(1) applies to the balance.

5721. Short option positions

(1) Subject to subsection 5721(2), the minimum Dealer Member inventory margin and client account margin required for short exchange-traded option positions is:

(i) a percentage of the market value of the underlying interest determined using the following percentages:
   (a) for equity options, the margin rate used for the underlying interest as determined in section 5311,
   (b) for index options or index participation unit options, the published floating margin rate for the index or index participation unit calculated according to the formula set out in section 5360,
   (c) for debt options, the margin rate used for the underlying interest as determined in section 5210,
   (d) for currency options, the Corporation’s published spot risk margin rate for the currency calculated according to the formula set out in subsection 5460(1), minus
   (ii) any out-of-the-money amount associated with the option.

(2) Subsection 5721(1) notwithstanding, the minimum client account margin required for short exchange-traded option positions shall be the amount determined by multiplying:

(i) in the case of a short call option position, the market value of the underlying interest,
(ii) in the case of a short put option position, the aggregate exercise value of the option,
by
(iii) one of the following percentages:
   (a) for equity options, 5.00%,
   (b) for index options or index participation unit options, 2.00%,
   (c) for debt options, 1.00%,
   (d) for currency options, 0.75%.

5722. - 5724. Reserved.

EXCHANGE-TRADED OPTIONS - HEDGED OPTION POSITIONS

5725. Hedged option positions

(1) No margin is required for the following exchange-traded option and collateral position combinations held in equivalent quantities in a Dealer Member inventory or client account:

<table>
<thead>
<tr>
<th>Exchange-traded option position</th>
<th>Acceptable collateral</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Short call option with an equity, index, index participation unit, debt or currency underlying interest</td>
<td>escrow receipt evidencing the deposit of the underlying security</td>
</tr>
</tbody>
</table>
Exchange-traded option position | Acceptable collateral
--- | ---
(ii) Short put option with an equity, index, index participation unit, debt or currency underlying interest | escrow receipt evidencing the deposit of government securities
(iii) Short put option with an equity, index, index participation unit, debt or currency underlying interest | letter of guarantee

provided the conditions in subsections 5725(2) and 5725(3) are met.

(2) For an escrow receipt to be acceptable collateral in subsection 5725(1):
   (i) the issuer of the escrow receipt must be a financial institution approved by the recognized option clearing corporation,
   and
   (ii) all recognized option clearing corporation agreements must be signed and delivered to the recognized option clearing corporation and available for inspection by the Corporation on request,
   and
   (iii) in the case of an escrow receipt evidencing the deposit of government securities, the securities must:
      (a) be acceptable forms of recognized option clearing corporation margin,
      (b) mature within one year of their deposit, and
      (c) have a market value of greater than 110% of the aggregate exercise value of the short put option.

(3) For a letter of guarantee to be acceptable collateral in subsection 5725(1):
   (i) the issuer must be:
      (a) a financial institution approved by the recognized option clearing corporation to issue escrow receipts,
      and
      (b) a chartered bank, a Québec savings bank or a trust company licensed to do business in Canada, with a minimum paid-up capital and surplus of $5,000,000,
      and
   (ii) the letter must certify that the bank or trust company:
      (a) holds on deposit for the client’s account cash equal to the full aggregate exercise value of the put option and that amount will be paid to the recognized option clearing corporation against delivery of the underlying interest hedged by the put option,
      or
unconditionally and irrevocably guarantees to pay the recognized option clearing corporation the full amount of the aggregate exercise value of the put option against delivery of the underlying interest hedged by the put option,

and

(iii) the Dealer Member must deliver it to the recognized option clearing corporation and the recognized option clearing corporation must accept it as margin.

5726. - 5729. Reserved.

5730. Call option spreads and put option spreads

(1) Where a Dealer Member inventory or client account contains one of the following exchange-traded option spread pairings:

<table>
<thead>
<tr>
<th>Long (short) option position</th>
<th>Short (long) option position</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) call option with an equity, index, index participation unit, debt or currency underlying interest</td>
<td>and call option with the same underlying interest</td>
</tr>
<tr>
<td>(ii) put option with an equity, index, index participation unit, debt or currency underlying interest</td>
<td>and put option with the same underlying interest</td>
</tr>
<tr>
<td>(iii) index call option</td>
<td>and index participation unit call option based on the same index</td>
</tr>
<tr>
<td>(iv) index put option</td>
<td>and index participation unit put option based on the same index</td>
</tr>
</tbody>
</table>

and equivalent quantities of each position in the pairing are held, the minimum margin required for the spread pairing is calculated in accordance with subsection 5730(2).

(2) Provided the condition in subsection 5730(1) is met, the minimum margin required is the lesser of:

(i) the margin required on the short option position determined pursuant to section 5721, or

(ii) the greater of:

(a) the spread loss amount, if any, that would result if both options were exercised, and

(b) where the spread involves an index option position and an index participation unit option position, the published tracking error margin rate for the spread between the index and the related index participation units, multiplied by the market value of the index participation units underlying the index participation unit option position.

5731. Short call option - short put option spread

(1) Where a Dealer Member inventory or client account contains one of the following exchange-traded option spread pairings:

<table>
<thead>
<tr>
<th>Short option position</th>
<th>Short option position</th>
</tr>
</thead>
</table>
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(i) call option with an equity, index, index participation unit, debt or currency underlying interest and put option with the same underlying interest

(ii) index call option and index participation unit put option based on the same index

(iii) index participation unit call option and index put option based on the same index

and equivalent quantities of each position in the pairing are held, the minimum margin required for the spread pairing is calculated in accordance with subsection 5731(2).

(2) The minimum margin required is the greatest of:

(i) the greater of:
   (a) the margin required on the call option position, or
   (b) the margin required on the put option position,

and

(ii) the excess of the aggregate exercise value of the put option position over the aggregate exercise value of the call option position,

and

(iii) where the spread involves an index option position and an index participation unit option position, the published tracking error margin rate for the spread between the index and the related index participation units, multiplied by the market value of the index participation units underlying the index participation unit option position.

5732. Long call option - long put option spread

(1) Where a Dealer Member inventory or client account contains one of the following exchange-traded option spread pairings:

Long option position and Long option position

(i) call option with an equity, index, index participation unit, debt or currency underlying interest and put option with the same underlying interest

(ii) index call option and index participation unit put option based on the same index

(iii) index participation unit call option and index put option based on the same index

and equivalent quantities of each position in the pairing are held, the minimum margin required for the spread pairing is calculated in accordance with subsection 5732(2).

(2) The minimum margin required is the lesser of:

(i) the sum of:
   (a) the margin required for the long call option position,
(b) the margin required for the long put option position,
or
(ii) the sum of:
   (a) 100% of the market value of the long call option,
   plus
   (b) 100% of the market value of the long put option,
   minus
   (c) the amount by which the aggregate exercise value of the put option exceeds the aggregate exercise value of the call option.

5733. Long call option - short call option - long put option

(1) Where a Dealer Member inventory or client account contains long call option, short call option and long put option positions in exchange-traded options on the same underlying interest and equivalent quantities of each position in the combination are held, the minimum margin required is:
   (i) 100% of the market value of the long call option,
   plus
   (ii) 100% of the market value of the long put option,
   minus
   (iii) 100% of the market value of the short call option,
   plus
   (iv) the greater of:
      (a) any excess of the aggregate exercise value of the long call option over the aggregate exercise value of the short call option, and
      (b) any excess of the aggregate exercise value of the long call option over the aggregate exercise value of the long put option.

Where the amount calculated in clause 5733(1)(iv) is negative, this amount may be applied against the margin charge.

5734. Long warrant - short call option

(1) Where a Dealer Member inventory or client account contains long warrant and short call exchange-traded option positions on the same underlying interest and equivalent quantities of each position in the pairing are held, the minimum margin required is the sum of:
   (i) the lesser of:
      (a) a percentage of the market value of the underlying interest determined using the following percentages:
         (I) for equity options, the margin rate used for the underlying interest as determined in section 5311,
(II) for index options or index participation unit options, the published floating margin rate for the index or index participation unit calculated according to the formula set out in section 5360,

(III) for debt options, the margin rate used for the underlying interest as determined in section 5210,

(IV) for currency options, the Corporation’s published spot risk margin rate for the currency calculated according to the formula set out in subsection 5460(1),

or

(b) the spread loss amount, if any, that would result if both the option and the warrant were exercised,

and

(ii) the excess of the market value of the warrant over the in-the-money value of the warrant multiplied by 25%,

and

(iii) the in-the-money value of the warrant, multiplied by:

(a) 50%, where the expiration date of the warrant is 9 months or more away, or

(b) 100%, where the expiration date of the warrant is fewer than 9 months away.

5735. Box spread

(1) Client account requirement - Where a client account contains a box spread combination on the same underlying interest with all exchange-traded options expiring at the same time, such that the client holds a long and short call option and a long and short put option and where the long call option and short put option, and short call option and long put option have the same exercise price, the minimum client account margin required is the lesser of:

(i) the greater of the margin requirements calculated for the component call and put spreads pursuant to subsection 5730(2), and

(ii) the greater of the out-of-the-money amounts calculated for the component call and put spreads.

(2) Dealer Member inventory account requirement - Where a Dealer Member inventory account contains a box spread exchange-traded option combination on the same underlying interest with all options expiring at the same time, such that the Dealer Member holds a long and short call option and a long and short put option and where the long call option and short put option, and short call option and long put option have the same exercise price, the minimum Dealer Member inventory margin required is the sum of:

(i) the difference, plus or minus, between the aggregate exercise value of the long call options and the aggregate exercise value of the long put options, and

(ii) the net market value of the options.

5736. Long butterfly spread

(1) Where a Dealer Member inventory or client account contains a long butterfly spread combination on the same underlying interest with all exchange-traded options expiring at the same time, such that short positions in two call options (or put options) are held and the short call options (or
short put options) are at a middle exercise price and are flanked on either side by a long call option (or long put option) having a lower and higher exercise price respectively, and the interval between the exercise prices is equal, the minimum margin required is the net market value of the short and long call options (or put options).

5737. Short butterfly spread

(1) Where a Dealer Member inventory or client account contains a short butterfly spread combination on the same underlying interest with all exchange-traded options expiring at the same time, such that long positions in two call options (or put options) are held and the long call options (or long put options) are at a middle exercise price and are flanked on either side by a short call option (or short put option) having a lower and higher exercise price respectively, and the interval between the exercise prices is equal, the minimum margin required is the amount, if any, by which the exercise value of the long call options (or long put options) exceeds the exercise value of the short call options (or short put options).

5738. Long condor spread

(1) Where a Dealer Member inventory or client account contains a long condor spread combination on the same underlying interest with all exchange-traded options expiring at the same time, such that four separate options series are held wherein the exercise prices of the options are in ascending order and the interval between the exercise prices is equal, comprising a short position in two call options (or put options) and the short call options (or short put options) are flanked on either side by a long call option (or long put option) having a lower and higher exercise price respectively, the minimum margin required is the net market value of the short and long call options (or put options).

5739. Short iron butterfly spread

(1) Where a Dealer Member inventory or client account contains a short iron butterfly spread combination on the same underlying interest with all exchange-traded options expiring at the same time, such that four separate options series are held wherein the exercise prices of the options are in ascending order, and the interval between the exercise prices is equal, comprising short positions in a call option and a put option with the same exercise price and the short options are flanked on either side by a long put option and a long call option having a lower and higher exercise price respectively, the minimum margin required shall equal the exercise price interval multiplied by the unit of trading.

5740. Short iron condor spread

(1) Where a client account contains a short iron condor spread combination on the same underlying interest with all exchange-traded options expiring at the same time, such that a client holds four separate options series wherein the exercise prices of the options are in ascending order, and the interval between the exercise prices is equal, comprising short positions in a call option and a put option with the same exercise price and the short options are flanked on either side by a long put option and a long call option having a lower and higher exercise price respectively, the minimum margin required shall equal the exercise price interval multiplied by the unit of trading.
EXCHANGE-TRADED OPTIONS - SECURITY AND OPTION COMBINATIONS AND CONVERSIONS

5750. Long underlying interest or convertible security - short call option combination

(1) Where a Dealer Member inventory or client account contains one of the following exchange-traded option and security combinations:

<table>
<thead>
<tr>
<th>Long position</th>
<th>Short option position</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) underlying interest or currently convertible security</td>
<td>call option with the same underlying interest</td>
</tr>
<tr>
<td>(ii) qualifying basket of index securities</td>
<td>index call option based on the same index</td>
</tr>
<tr>
<td>(iii) qualifying basket of index securities</td>
<td>index participation unit call option based on the same index</td>
</tr>
<tr>
<td>(iv) index participation unit</td>
<td>index participation unit call option based on the same index</td>
</tr>
<tr>
<td>(v) index participation unit</td>
<td>index call option based on the same index</td>
</tr>
</tbody>
</table>

and equivalent quantities of each position in the combination are held, the minimum margin required for the combination is calculated in accordance with subsection 5750(2).

(2) Subject to additional margin requirements set out in subsections 5750(3) through 5750(5), the minimum margin required is the lesser of:

(i) the normal margin required on the underlying interest, index basket or index participation unit position,

and

(ii) any excess of the aggregate exercise value of the call options over the normal loan value of the underlying interest, index basket or index participation unit position.

(3) Where the combination involves a currently convertible security position, additional margin is required to be provided in the amount of the conversion loss.

(4) Where the combination involves a qualifying basket of index securities and the basket is imperfect, additional margin is required to be provided in the amount of the calculated incremental basket margin rate for the basket multiplied by the market value of the basket.

(5) Where the combination involves either:

(i) a qualifying basket of index securities and an index participation unit option position, or

(ii) an index participation unit position and an index option position,

additional margin is required to be provided in the amount of the published tracking error margin rate for the spread between the index and the related index participation units, multiplied by the market value of the index participation units underlying the index participation unit option position or index participation unit position held.
5751. Long underlying interest - long put option combination

(1) Where a Dealer Member inventory or client account contains one of the following exchange-traded option and security combinations:

<table>
<thead>
<tr>
<th>Long position</th>
<th>Long option position</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) underlying interest</td>
<td>put option with the same underlying interest</td>
</tr>
<tr>
<td>(ii) qualifying basket of index securities</td>
<td>index put option based on the same index</td>
</tr>
<tr>
<td>(iii) qualifying basket of index securities</td>
<td>index participation unit put option based on the same index</td>
</tr>
<tr>
<td>(iv) index participation unit</td>
<td>index participation unit put option based on the same index</td>
</tr>
<tr>
<td>(v) index participation unit</td>
<td>index put option based on the same index</td>
</tr>
</tbody>
</table>

and equivalent quantities of each position in the combination are held, the minimum margin required for the combination is calculated in accordance with subsection 5751(2).

(2) Subject to additional margin requirements set out in subsection 5751(3), the minimum margin required is the greater of:

(i) lesser of:
   (a) the normal margin required on the underlying interest,
   or
   (b) the excess of the combined market value of the underlying interest and the put option over the aggregate exercise value of the put option,

(ii) where the combination involves:
   (a) a qualifying basket of index securities and an index participation unit option position,
   or
   (b) an index participation unit position and an index option position,
   the published tracking error margin rate for the spread between the index and the related index participation units, multiplied by the market value of the index participation units underlying the index participation unit option position or index participation unit position held.

(3) Where the combination involves a qualifying basket of index securities and the basket is imperfect, additional margin is required to be provided in the amount of the calculated incremental basket margin rate for the basket multiplied by the market value of the basket.

5752. Short underlying interest - long call option combination

(1) Where a Dealer Member inventory or client account contains one of the following exchange-traded option and security combinations:

<table>
<thead>
<tr>
<th>Short position</th>
<th>Long option position</th>
</tr>
</thead>
</table>

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(i) **underlying interest** and **call option** with the same **underlying interest**

(ii) **qualifying basket of index securities** and **index call option** based on the same index

(iii) **qualifying basket of index securities** and **index participation unit call option** based on the same index

(iv) **index participation unit** and **index participation unit call option** based on the same index

(v) **index participation unit** and **index call option** based on the same index

and *equivalent quantities* of each position in the combination are held, the minimum margin required for the combination is calculated in accordance with subsection 5752(2).

(2) Subject to additional margin requirements set out in subsection 5752(3), the minimum margin required is the sum of:

(i) 100% of the **market value** of the long **call option**, plus

(ii) the greater of:

   (a) the lesser of:

      (I) any **out-of-the-money** value associated with the **call option**, or

      (II) the **normal margin required** on the **underlying interest**, or

   (b) where the combination involves:

      (I) a **qualifying basket of index securities** and an **index participation unit option** position,

      or

      (II) an **index participation unit** position and an **index option** position, the published **tracking error margin rate** for the spread between the **index** and the related **index participation units**, multiplied by the **market value** of the **index participation units underlying the index participation unit option** position or **index participation unit** position held,

   minus

   (iii) where the **call option** is **in-the-money**, the **in-the-money** value, provided the overall margin requirement cannot be reduced to less than zero.

(3) Where the combination involves a **qualifying basket of index securities** and the basket is imperfect, additional margin is required to be provided in the amount of the calculated **incremental basket margin rate** multiplied by the **market value** of the basket.

### 5753. Short underlying interest - short put option combination

(1) Where a **Dealer Member inventory** or client account contains one of the following **exchange-traded option** and security combinations:
Corporation Investment Dealer and Partially Consolidated Rules

Short position

(i) underlying interest and put option with the same underlying interest

(ii) qualifying basket of index securities and index put option based on the same index

(iii) qualifying basket of index securities and index participation unit put option based on the same index

(iv) index participation unit and index participation unit put option based on the same index

(v) index participation unit and index put option based on the same index

and equivalent quantities of each position in the combination are held, the minimum margin required for the combination is calculated in accordance with subsection 5753(2).

(2) Subject to additional margin requirements set out in subsection 5753(3), the minimum margin required is the greater of:

(i) the lesser of:
   (a) the normal margin required on the underlying interest, index basket or index participation unit position, and
   (b) any excess of the normal margin required on the underlying interest, index basket or index participation unit position over the in-the-money value, if any, of the put options,

(ii) where the combination involves:
   (a) a qualifying basket of index securities and an index participation unit option position, or
   (b) an index participation unit position and an index option position,

the published tracking error margin rate for the spread between the index and the related index participation units, multiplied by the market value of the index participation units underlying the index participation unit option position or index participation unit position held.

(3) Where the combination involves a qualifying basket of index securities and the basket is imperfect, additional margin is required to be provided in the amount of the calculated incremental basket margin rate for the basket multiplied by the market value of the basket.

5754. Conversion or long tripo combination

(1) Where a Dealer Member inventory or client account contains one of the following exchange-traded option and security combinations:

<table>
<thead>
<tr>
<th>Long position</th>
<th>Long option position</th>
<th>Short option position</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) underlying interest</td>
<td>put option with the same underlying interest</td>
<td>call option with the same underlying interest</td>
</tr>
</tbody>
</table>

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(ii) qualifying basket of index securities and index put option based on the same index and index call option based on the same index

(iii) qualifying basket of index securities and index participation unit put option based on the same index and index participation unit call option based on the same index

(iv) index participation unit and index participation unit put option based on the same index and index participation unit call option based on the same index

(v) index participation unit and index put option based on the same index and index call option based on the same index

and equivalent quantities of each position in the combination are held, the minimum margin required for the combination is calculated in accordance with subsection 5754(2).

(2) Subject to additional margin requirements set out in subsection 5754(3), the minimum margin required is the greater of:

(i) the sum of:
   (a) 100% of the market value of the long put options, minus
   (b) 100% of the market value of the short call options, plus
   (c) the difference, plus or minus, between the market value of the underlying interest, index basket or index participation unit position and the aggregate exercise value of the long put options or short call options, whichever is lower,

and

(ii) where the combination involves:
   (a) a qualifying basket of index securities and an index participation unit option position, or
   (b) an index participation unit position and an index option position,

the published tracking error margin rate for the spread between the index and the related index participation units, multiplied by the market value of the index participation units underlying the index participation unit option position or index participation unit position held.

(3) Where the combination involves a qualifying basket of index securities and the basket is imperfect, additional margin is required to be provided in the amount of the calculated incremental basket margin rate for the basket multiplied by the market value of the basket.

5755. Reconversion or short tripo combination

(1) Where a Dealer Member inventory or client account contains one of the following exchange-traded option and security combinations:
(i) under the ‘underlying interest’ and the ‘call option’ with the same underlying interest

(ii) under the ‘qualifying basket of index securities’ and the ‘index call option’ based on the same index

(iii) under the ‘qualifying basket of index securities’ and the ‘index participation unit call option’ based on the same index

(iv) under the ‘index participation unit’ and the ‘index participation unit call option’ based on the same index

(v) under the ‘index participation unit’ and the ‘index participation unit call option’ based on the same index

and equivalent quantities of each position in the combination are held, the minimum margin required for the combination is calculated in accordance with subsection 5755(2).

(2) Subject to additional margin requirements set out in subsection 5755(3), the minimum margin required is the greater of:

(i) the sum of:
   (a) 100% of the market value of the long call options, minus
   (b) 100% of the market value of the short put options, plus
   (c) the difference, plus or minus, between the aggregate exercise value of the long call options or short put options, whichever is higher and the market value of the underlying interest, index basket or index participation unit position,

(ii) where the combination involves:
   (a) a qualifying basket of index securities and an index participation unit option position, or
   (b) an index participation unit position and an index option position,

   the published tracking error margin rate for the spread between the index and the related index participation units, multiplied by the market value of the index participation units underlying the index participation unit option position or index participation unit position held.

(3) Where the combination involves a qualifying basket of index securities and the basket is imperfect, additional margin is required to be provided in the amount of the calculated incremental basket margin rate for the basket multiplied by the market value of the basket.
EXCHANGE-TRADED OPTIONS - FUTURES AND OPTIONS COMBINATIONS AND CONVERSIONS

5760. Long index futures contract - short call option combination

(1) Where a Dealer Member inventory or client account contains one of the following exchange traded futures contract and exchange-traded option contract combinations:

<table>
<thead>
<tr>
<th>Long futures position</th>
<th>Short option position</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) index futures contracts</td>
<td>index call option based on the same index</td>
</tr>
<tr>
<td>(ii) index futures contracts</td>
<td>index participation unit call option based on the same index</td>
</tr>
</tbody>
</table>

and equivalent quantities of each position in the combination are held and the options and futures contracts have the same settlement date or can be settled in either of the two nearest contract months, the minimum margin required for the combination is calculated in accordance with subsection 5760(2).

(2) The minimum margin required is the greater of:

(i) (a) the normal margin required on the index futures contract position, minus
(b) the aggregate market value of the short call options,

and

(ii) the published tracking error margin rate for the spread between the index futures contracts and the related index or the index futures contracts and the related index participation units, multiplied by the market value of the qualifying basket of index securities underlying the index option position or the index participation units underlying the index participation unit option position.

(3) For a client account offset as set out in subsection 5760(1), the index futures contracts must be excluded from the domestic gross customer margin model.

5761. Long futures contracts - long put option combination

(1) Where a Dealer Member inventory or client account contains one of the following exchange traded futures contract and exchange-traded option contract combinations:

<table>
<thead>
<tr>
<th>Long futures position</th>
<th>Long option position</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) index futures contracts</td>
<td>index put option based on the same index</td>
</tr>
<tr>
<td>(ii) index futures contracts</td>
<td>index participation unit put option based on the same index</td>
</tr>
</tbody>
</table>

and equivalent quantities of each position in the combination are held and the options and futures contracts have the same settlement date or can be settled in either of the two nearest contract months, the minimum margin required for the combination is calculated in accordance with subsections 5761(2) and 5761(3).
(2) Where the put option position is out-of-the-money, the minimum margin required is the greater of:

(i) the sum of:
   (a) the aggregate market value of the long put options
   plus
   (b) the lesser of:
       (I) (A) the daily settlement value of the index futures contract position, minus
           (B) the aggregate exercise value of the long put options,
       (II) the margin required on the long futures contract position,

and

(ii) the published tracking error margin rate for the spread between the index futures contracts and the related index or the index futures contracts and the related index participation units, multiplied by the market value of the qualifying basket of index securities underlying the index option position or the index participation units underlying the index participation unit option position.

(3) Where the put option position is in-the-money or at-the-money, the minimum margin required is the greater of:

(i) any excess of the aggregate market value of the long put options over the aggregate in-the-money amount of the long put options,

and

(ii) the published tracking error margin rate for the spread between the index futures contracts and the related index or the index futures contracts and the related index participation units, multiplied by the market value of the underlying qualifying basket of index securities or the index participation units.

(4) For a client account offset as set out in subsection 5761(1), the index futures contracts must be excluded from the domestic gross customer margin model.

**5762. Short futures contracts - long call option combination**

(1) Where a Dealer Member inventory or client account contains one of the following exchange traded futures contract and exchange-traded option contract combinations:

<table>
<thead>
<tr>
<th>Short futures position</th>
<th>Long option position</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) index futures contracts and index call option based on the same index</td>
<td></td>
</tr>
<tr>
<td>(ii) index futures contracts and index participation unit call option based on the same index</td>
<td></td>
</tr>
</tbody>
</table>

and equivalent quantities of each position in the combination are held and the options and futures contracts have the same settlement date or can be settled in either of the two nearest contract months, the minimum margin required for the combination is calculated in accordance with subsections 5762(2) and 5762(3).
(2) Where the call option position is out-of-the-money, the minimum margin required is the greater of:

(i) the sum of:

(a) the aggregate market value of the long call options

plus

(b) the lesser of:

(I) (A) the aggregate exercise value of the long call options, minus

(B) the daily settlement value of the index futures contract position,

(II) the margin required on the short futures contract position,

and

(ii) the published tracking error margin rate for the spread between the index future contracts and the related index or the index future contracts and the related index participation units, multiplied by the market value of the qualifying basket of index securities underlying the index option position or the index participation units underlying the index participation unit option position.

(3) Where the call option position is in-the-money or at-the-money, the minimum margin required is the greater of:

(i) any excess of the aggregate market value of the long call options over the aggregate in-the-money amount of the long call options,

and

(ii) the published tracking error margin rate for the spread between the index futures contracts and the related index or the index futures contracts and the related index participation units, multiplied by the market value of the underlying qualifying basket of index securities or the index participation units.

(4) For a client account offset as set out in subsection 5762(1), the index futures contracts must be excluded from the domestic gross customer margin model.

5763. Short futures contracts - short put option combination

(1) Where a Dealer Member inventory or client account contains one of the following exchange traded futures contract and exchange-traded option contract combinations:

<table>
<thead>
<tr>
<th>Short futures position</th>
<th>Short option position</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) index futures contracts</td>
<td>index put option based on the same index</td>
</tr>
<tr>
<td>(ii) index futures contracts</td>
<td>index participation unit put option based on the same index</td>
</tr>
</tbody>
</table>

and equivalent quantities of each position in the combination are held and the options and futures contracts have the same settlement date or can be settled in either of the two nearest contract months, the minimum margin required for the combination is calculated in accordance with subsection 5763(2).

(2) The minimum margin required is the greater of:
(i) (a) the normal margin required on the index futures contract position, minus
(b) the aggregate market value of the short put options,
and
(ii) the published tracking error margin rate for the spread between the index futures contracts and the related index or the index futures contracts and the related index participation units, multiplied by the market value of the qualifying basket of index securities underlying the index option position or the index participation units underlying the index participation unit option position.

(3) For a client account offset as set out in subsection 5763(1), the index futures contracts must be excluded from the domestic gross customer margin model.

5764. Futures conversion or long tripo combination

(1) Where a Dealer Member inventory or client account contains one of the following exchange traded futures contract and exchange-traded option contract combinations:

<table>
<thead>
<tr>
<th>Long futures position</th>
<th>Long option position</th>
<th>Short option position</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) index futures contracts and index put option based on the same index</td>
<td>index call option based on the same index</td>
<td></td>
</tr>
<tr>
<td>(ii) index futures contracts and index participation unit put option based on the same index</td>
<td>index participation unit call option based on the same index</td>
<td></td>
</tr>
</tbody>
</table>

and equivalent quantities of each position in the combination are held and the options contracts have the same expiry date and the options and futures contracts have the same settlement date or can be settled in either of the two nearest contract months, the minimum margin required for the combination is calculated in accordance with subsection 5764(2).

(2) The minimum margin required is the greater of:

(i) the sum of:

(a) the aggregate market value of the long call options, minus
(b) the aggregate market value of the short put options, plus
(c) the difference, plus or minus, between the daily settlement value of the long futures contracts and the aggregate exercise value of the long put options or the short call options, whichever is lower,

and

(ii) the published tracking error margin rate for the spread between the index futures contracts and the related index or the index futures contracts and the related index participation units, multiplied by the market value of the qualifying basket of index securities underlying the index option position or the index participation units underlying the index participation unit option position.
(3) For a client account offset as set out in subsection 5764(1), the index futures contracts must be excluded from the domestic gross customer margin model.

5765. Reconversion or short tripo combination

(1) Where a Dealer Member inventory or client account contains one of the following exchange traded futures contract and exchange-traded option contract combinations:

<table>
<thead>
<tr>
<th>Short futures position</th>
<th>Long option position</th>
<th>Short option position</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) index futures contracts and index call option based on the same index</td>
<td>index put option based on the same index</td>
<td></td>
</tr>
<tr>
<td>(ii) index futures contracts and index participation unit call option based on the same index</td>
<td>index participation unit put option based on the same index</td>
<td></td>
</tr>
</tbody>
</table>

and equivalent quantities of each position in the combination are held and the options contracts have the same expiry date and the options and futures contracts have the same settlement date or can be settled in either of the two nearest contract months, the minimum margin required for the combination is calculated in accordance with subsection 5765(2).

(2) The minimum margin required is the greater of:

(i) the sum of:

(a) 100% of the market value of the long call options, minus
(b) 100% of the market value of the short put options, plus
(c) the difference, plus or minus, between the aggregate exercise value of the long call options or short put options, whichever is higher, and the daily settlement value of the short futures contracts,

and

(ii) the published tracking error margin rate for the spread between the index futures contracts and the related index or the index futures contracts and the related index participation units, multiplied by the market value of the qualifying basket of index securities underlying the index option position or the index participation units underlying the index participation unit option position.

(3) For a client account offset as set out in subsection 5765(1), the index futures contracts must be excluded from the domestic gross customer margin model.

5766. - 5769. Reserved.

EXCHANGE-TRADED OPTIONS - BASKET, PARTICIPATION UNIT AND FUTURES COMBINATIONS

5770. Long qualifying basket of index securities - short index participation units

(1) Where a Dealer Member inventory or client account contains the following combination:
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Long position  Short position
(i)  qualifying basket of index securities and  index participation units based on
the same index

and equivalent quantities of each position in the combination are held, the minimum margin is
calculated in accordance with subsection 5770(2).

(2) The minimum margin required shall be the sum of:
   (i) the published tracking error margin rate,
   plus
   (ii) the calculated incremental basket margin rate for the qualifying basket of index securities,
multiplied by the market value of the index participation units.

5771. Long index participation units - short qualifying basket of index securities

(1) Where a Dealer Member inventory or client account contains the following combination:
   Long position  Short position
   (i)  index participation units and  qualifying basket of index securities of
   the same index

   and equivalent quantities of each position in the combination are held, the minimum margin is
calculated in accordance with subsection 5771(2).

(2) The minimum margin required shall be the sum of:
   (i) the published tracking error margin rate, unless the long
       index participation units position
       is of size sufficient to be converted into a basket of index securities or a multiple thereof,
       plus
   (ii) the calculated incremental basket margin rate for the qualifying basket of index securities,
multiplied by the market value of the index participation units.

5772. Index futures contracts - qualifying baskets of index securities or index participation units

(1) Where a Dealer Member inventory or client account contains the following combination:
   Long (short) futures position  Short (long) position
   (i)  index futures contracts and  qualifying basket of index securities of
   the same index

   (ii) index futures contracts and  index participation units based on the
       same index

   and equivalent quantities of each position in the combination are held, the minimum margin is
calculated in accordance with subsection 5772(2).

(2) Subject to additional margin requirements set out in subsection 5772(3), the minimum margin
required shall be the published tracking error margin rate for the spread between the index
futures contracts and the related index or the index futures contracts and the related index
participation units, multiplied by the market value of the qualifying basket of index securities or
the index participation units held.
(3) Where the combination involves a qualifying basket of index securities and the basket is imperfect, additional margin is required to be provided in the amount of the calculated incremental basket margin rate for the basket multiplied by the market value of the basket.

(4) For a client account offset as set out in subsection 5772(1), the index futures contracts must be excluded from the domestic gross customer margin model.

5773. - 5774. Reserved.

EXCHANGE-TRADED OPTIONS - CROSS INDEX OFFSETS AND THE OPTIONAL USE OF THE STANDARD PORTFOLIO ANALYSIS METHODOLOGY

5775. Cross index offset combinations involving index products

(1) Offsets involving products based on two different indices are permitted provided:
   (i) both indices qualify as an index as defined in subsection 5130(9),
   (ii) there is significant performance correlation between the indices, and
   (iii) the Corporation has made available a published tracking error margin rate for cross index offsets involving the two indices.

   Where offsets involving products based on two different indices are permitted the margin requirements set out in sections 5730 through 5772 may be used provided that any margin requirement calculated shall be no less than the published tracking error margin rate for cross index offsets involving the two indices.

5776. Optional use of the Standard Portfolio Analysis methodology

(1) For a Dealer Member inventory account constituted exclusively of positions in derivatives listed at the Bourse de Montréal, the margin required may be the one calculated by the Standard Portfolio Analysis methodology using the margin interval calculated and the assumptions used by the Canadian Derivatives Clearing Corporation.

(2) For client accounts subject to the domestic gross customer margin model constituted exclusively of positions in derivatives listed at the Bourse de Montréal, the margin required may be the one calculated by the Standard Portfolio Analysis methodology using the margin interval calculated and the assumptions used by the Canadian Derivatives Clearing Corporation.

(3) If the Dealer Member selects the Standard Portfolio Analysis methodology, the margin requirements calculated under this methodology will supersede the requirements stipulated in these Rules.

(4) The Corporation may restrict the application of this section 5776, if it considers continued use of the Standard Portfolio Analysis methodology to be inappropriate for Dealer Member or client margin requirements.
OVER-THE-COUNTER OPTIONS

5780. Long option positions

(1) The minimum Dealer Member inventory margin required for long over-the-counter option positions is:
   (i) where the option’s market price is less than $1.00, the market value of the option,
   (ii) where the option’s market price is $1.00 or more, and:
      (a) the option is a call option, the market value of the call option less 50% of any excess of the market value of the underlying interest over the aggregate exercise value of the call option, or
      (b) the option is a put option, the market value of the put option less 50% of any excess of the aggregate exercise value of the put option over the market value of the underlying interest.

(2) The minimum client account margin required for long over-the-counter option positions is the market value of the option.

5781. Short option positions

(1) Subject to subsection 5781(2), the minimum Dealer Member inventory margin and client account margin required for short over-the-counter option positions is:
   (i) a percentage of the market value of the underlying interest determined using the following percentages:
      (a) for debt options, the margin rate used for the underlying interest as determined in sections 5210 through 5241,
      (b) for equity options, the margin rate used for the underlying interest as determined in section 5310 through 5315,
      (c) for index options or index participation unit options, the published floating margin rate for the index or index participation unit calculated according to the formula set out in section 5360,
      (d) for currency options, the Corporation’s published spot risk margin rate for the currency calculated according to the formula set out in section 5460 through 5469, minus
   (ii) any out-of-the-money amount associated with the option.

(2) Subsection 5781(1) notwithstanding, the minimum client account margin required for short over-the-counter option positions shall be no less than the amount determined by multiplying:
   (i) in the case of a short call option position, the market value of the underlying interest,
   (ii) in the case of a short put option position, the aggregate exercise value of the option, by 25% of the margin rate used for the underlying interest.
5782. Hedged option positions

(1) No margin is required for the following over-the-counter option and collateral position combinations held in equivalent quantities in a Dealer Member inventory or client account:

<table>
<thead>
<tr>
<th>Over-the-counter option position</th>
<th>Acceptable collateral</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Short call option with an equity, index, index participation unit, debt or currency underlying interest</td>
<td>escrow receipt evidencing the deposit of the underlying security</td>
</tr>
<tr>
<td>(ii) Short call option with an equity, index, index participation unit, debt or currency underlying interest</td>
<td>escrow receipt evidencing the deposit of government securities</td>
</tr>
</tbody>
</table>

provided the conditions in subsection 5782(2) are met.

(2) For an escrow receipt to be acceptable collateral in subsection 5782(1) the issuer of the escrow receipt must be a financial institution approved by a recognized option clearing corporation.

(3) The requirements of this section 5782 apply, regardless of any otherwise available margin reduction or margin offset, in the following circumstance:

(i) where an over-the-counter option is written by a client that is not an acceptable institution, acceptable counterparty or regulated entity,

(ii) where the terms of the over-the-counter option require settlement by physical delivery of the underlying interest, and

(iii) where a margin rate less than 100% for the underlying interest has not been established under the Corporation requirements.

5783. Option spreads and combinations

(1) Except as otherwise provided in this section 5783, the same reduced margin offsets are permitted for over-the-counter options as are provided in sections 5730 through 5772 for exchange-traded options, provided that the underlying interest is the same.

(2) In the case of spreads involving European exercise over-the-counter options:

(i) a margin offset is permitted where the spread consists of long and short European exercise option contracts with the same expiration date, and

(ii) a margin offset is permitted where the spread consists of a short European exercise option and long American exercise option, however

(iii) a margin offset is not permitted where the spread consists of a long European exercise option and a short American exercise option.

5784. Confirmation, delivery and exercise

(1) The Dealer Member must confirm every over-the-counter option transaction in writing, by mail or delivery, on trade date.

(2) Over-the-counter option contract payments, settlement, exercise and delivery must be made according to the terms of the over-the-counter option contract.
FUTURES CONTRACTS AND FUTURES CONTRACT OPTIONS

5790. Minimum margin requirements

(1) Where a Dealer Member inventory or client account contains positions and offsets in futures contracts or futures contract options, the margin required is the greatest of:
   (i) the margin required by the futures exchange on which the contract is entered into,
   (ii) the margin required by the clearing corporation, and
   (iii) the margin required by the Dealer Member’s clearing broker, where applicable.

(2) Where a client in subsections 5790(1) or 5776(2) is an acceptable institution, acceptable counterparty or regulated entity, the Dealer Member must include the margin deficiency in the margin on client or brokers and dealers accounts when calculating its risk adjusted capital, as of the date the deficiency occurs, where the Dealer Member:
   (i) does not promptly call for margin, or
   (ii) has promptly made a call for margin, but has not received the required margin by the end of the next trading day after the date the deficiency occurs.

(3) Where a Dealer Member or a client, owns a commodity and also has a short position in a futures contract in the same commodity, the two positions may be offset and the required margin shall be computed with respect to the net long or net short position where:
   (i) ownership of the commodity is evidenced by warehouse receipts or comparable documentation, and
   (ii) the futures contract position is not subject to the domestic gross customer margin model.

(4) Where a futures exchange or its clearing corporation prescribes margin requirements based on initial and maintenance rates, the margin required at the time the contract is entered shall be based on the prescribed initial rate. When subsequent adverse price movements in the value of the contracts reduce the margin on deposit to an amount below the maintenance level, a further amount to restore the margin on deposit to the initial rate amount shall be required. The Dealer Member may, in addition, require such further margin or deposit against liability as it may consider necessary as a result of fluctuations in market prices from time to time.

(5) Where client trades are executed through an omnibus account, the Dealer Member shall require margin from each of its clients as though the trades were executed in separate fully disclosed accounts.

(6) Where spread margins are permitted in a client account, the Dealer Member shall note this in the margin records for this account.

(7) Where a Dealer Member’s inventory account holds inter-commodity spreads in Government of Canada bond futures contracts and U.S. treasury bond futures contracts traded on a futures exchange in Canada and the United States and equivalent quantities of each position in the spread are held, the margin required is the greater of the margin required on either the long side or the short side only. For this purpose, the foregoing spreads shall be on the basis of $1.00 Canadian for each $1.00 U.S. of the contract size of the relevant futures contracts. With respect
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to the United States side of the above inter-commodity spreads, such positions must be maintained on a contract market as designated pursuant to the United States Commodity Exchange Act.

(8) The Corporation may prescribe, in its discretion, higher or lower margin requirements for any account or person that holds positions in futures contracts or futures contract options.

5791. - 5799. Reserved.
Corporation Investment Dealer and Partially Consolidated Rules

RULE 5800 | ACCOUNT RELATED AGREEMENTS

5801. Introduction

(1) Rule 5800 sets out the specific Corporation requirements for the following account related agreements:

(i) the Corporation standard agreements [section 5810],
(ii) account guarantee agreements [sections 5820 through 5825],
(iii) hedge agreements [section 5830],
(iv) cash and securities loan agreements [section 5840], and
(v) repurchase agreements and reverse repurchase agreements [section 5850].

5802. - 5809. Reserved.

5810. Corporation standard agreements

(1) The Corporation prescribes certain contents for and has developed standard forms of agreements that a Dealer Member must use in order to obtain favourable margin treatment, or avoid capital penalties, under Rules 5200 through 5900. These agreements are described in sections 5820 through 5850 below and, in the case of the standard form new issue letter, in section 5530. The standard agreements posted on the Corporation’s website are provided as agreement forms acceptable to the Corporation.

5811. - 5819. Reserved.

5820. General account guarantee requirements

(1) Subject to the requirements in sections 5821 and 5822, a Dealer Member may permit a client (the guarantor) to guarantee the accounts of another client provided:

(i) the Dealer Member informs the guarantor in writing of the initial contingent liability they will be assuming by signing the guarantee agreement,
(ii) the Dealer Member discloses to the guarantor in writing that the suitability of transactions in the guaranteed client’s accounts will not be reviewed in relation to the guarantor,
(iii) the guarantor signs an approved written guarantee agreement with the Dealer Member that:
   (a) identifies the guarantor by name,
   (b) identifies the guarantor accounts that are to be used to provide the guarantee,
   (c) identifies the accounts of the other client that are subject to the guarantee,
   (d) binds the guarantor, its successors, assigns and personal legal representatives, and
   (e) contains the minimum terms set out in subsection 5825(1),
(iv) the guaranteed client consents in writing to the Dealer Member providing the guarantor, at least quarterly, with the guaranteed client’s account statements,
(v) where the guarantor does not object, the guarantor is sent, at least quarterly, the guaranteed client’s account statements. (vi) the guarantor’s accounts that are not subject to a futures segregation and portability customer protection regime are not guaranteeing
any accounts that are subject to a *futures segregation and portability customer protection regime*, and

(vii) the guarantor’s accounts that are subject to a *futures segregation and portability customer protection regime* are not guaranteeing any accounts that are not subject to a *futures segregation and portability customer protection regime*.

(2) Where the guaranteed client does not consent to providing account statements, the Dealer Member must notify the guarantor in writing of the guaranteed client’s refusal and that the guarantee agreement will not be accepted for margin reduction purposes.

5821. **Requirements for account guarantees by shareholders, Registered Representatives or employees**

(1) Section 5820 notwithstanding, a Dealer Member may only permit clients who are shareholders, Registered Representatives or employees of the Dealer Member to guarantee the accounts of another client:

(i) if:

(a) the Corporation expressly approves the guarantee arrangement in writing,

(b) the guarantee agreement can only be cancelled with the Corporation’s written approval,

(c) the guarantor is not permitted to transfer cash, securities or any other property from the accounts of the guarantor without written approval from the Corporation,

(d) the provisions of Schedule 4 of Form 1 continue to apply to the guaranteed client accounts regardless of the guarantee. Specifically, if the account has been restricted and subsequently fully margined, the Dealer Member will not conduct any trading in the account without the Corporation approving the release of the guarantee, or

(ii) if, in the case of a shareholder guarantee:

(a) there is public ownership of the Dealer Member or holding company securities held by the shareholder,

(b) the shareholder is not an employee, Registered Representative or Executive of the Dealer Member, and

(c) the shareholder does not hold a significant equity interest (defined in clause 2102(1)) of the Dealer Member or its holding company.

5822. **Prohibited account guarantee arrangements**

(1) A Dealer Member will not permit relief for guarantees in respect of accounts of Executives, Directors, shareholders, Registered Representatives or employees, by clients of the Dealer Member.

5823. **Exception for immediate family**

(1) Sections 5821 and 5822 do not apply to guarantees by members of the immediate family of the guaranteed account holder.
5824. Margin relief for guarantee agreements

(1) For account guarantee agreements entered into in compliance with the requirements of sections 5820 and 5821, the margin required for a client account that is guaranteed by another client may be reduced by any aggregate excess margin in the account of the guarantor.

(2) Subsection 5824(1) notwithstanding, a Dealer Member may only use a client guarantee for margin relief with respect to client accounts directly guaranteed by the guarantor.

(3) Subsection 5824(1) notwithstanding, margin relief is not permitted where a guarantee agreement is not confirmed by the guarantor in response to an annual audit confirmation request in accordance with the requirements set out in subsection 4185(1).

5825. Account guarantee agreement minimum terms

(1) An approved written agreement must contain the following minimum terms:

(i) the guarantor is jointly and severally liable for the client’s obligations in the identified accounts and unconditionally guarantees, on an absolute and continuing basis, the prompt payment on demand of all the client’s present and future liabilities in those accounts to the Dealer Member,

(ii) the guarantee’s termination requires written notice to the Dealer Member and the termination does not affect the guarantee of any obligations incurred prior to it,

(iii) the Dealer Member is not required to demand from, or proceed or exhaust its remedies against, a client or any other person, or any security held to secure payment of the obligations, before making demand or proceeding under the guarantee,

(iv) the guarantor’s liability shall not be released, discharged, reduced, limited or otherwise affected by:

(a) any right of set-off, counterclaim, appropriation, application or other demand or right the client or guarantor may have,

(b) any irregularity, defect, or informality in any obligation, document or transaction relating to the client or its accounts,

(c) any acts done, omitted, suffered or permitted by the Dealer Member in connection with the client, its accounts, the guaranteed obligations or any other guarantees or security held including any renewals, extensions, waivers, releases, amendments, compromises or indulgences agreed to by the Dealer Member and including the Dealer Member providing the client’s account statements to the guarantor as permitted in clause 5820(1)(iv), or

(d) the death, incapacity, bankruptcy or other fundamental change of or affecting the client,

but if the guarantor is released from the guarantee, it must remain liable as principal debtor of the guaranteed obligations,

(v) the guarantor must:

(a) agree that the accounts as settled or stated between the Dealer Member and the client are conclusive as to the amounts owing, and
(b) agree not to exercise any rights of subrogation until all guaranteed obligations are paid in full, and

(vi) all securities, monies, futures contracts and futures contract options, foreign exchange contracts and other property held or carried by the Dealer Member for the guarantor must be pledged or a security interest granted in them to secure payment of the guaranteed obligations. The Dealer Member must be able to deal with those assets at any time, before or after demand under the guarantee, to satisfy payment.

5826. - 5829. Reserved.

5830. Hedge agreements

(1) In determining the margin relief available for a guaranteed client account pursuant to subsection 5824(1), a Dealer Member may exclude the following offsetting position hedges from the margin calculation:

<table>
<thead>
<tr>
<th>Long position</th>
<th>Short position</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) a long security position (other than an option, futures contract or foreign exchange contract position) held in the account of a guarantor that guarantees an account of another client of a Dealer Member in accordance with sections 5820 through 5825.</td>
<td>and a short position in the same security, held in the guaranteed client account.</td>
</tr>
<tr>
<td>(ii) a long convertible security position (including warrants, rights, shares and installment receipts) held in the account of a guarantor that guarantees an account of another client of a Dealer Member in accordance with sections 5820 through 5825.</td>
<td>and a short position in the underlying security, held in the guaranteed client account.</td>
</tr>
</tbody>
</table>

(2) A Dealer Member must not accept a client account hedge for the purposes of subsection 5830(1), unless it obtains a written hedge agreement from the guarantor, in a form acceptable to the Corporation, that:

(i) authorizes the Dealer Member to use any and all securities, other than options, futures contracts or foreign exchange contracts, held in long positions in the guarantor’s account to hedge any and all short positions in the guaranteed client account to eliminate the margin required on those securities in the client account,

(ii) provides that if a security position that hedges a short position is sold and creates a margin deficiency in the guaranteed account, the guarantor agrees that the Dealer Member may restrict the guarantor’s ability to withdraw cash or securities from its account or otherwise restrict the guarantor’s ability to enter into transactions in that account until the deficiency has been rectified, and

(iii) provides that the guarantor agrees that the terms of the hedge agreement must remain in effect as long as any hedge positions between the two accounts remain in effect.
5831. - 5839. Reserved.

5840. Cash and securities loan agreements

(1) A cash and securities loan is the lending of securities for cash collateral or vice versa, other than an overnight cash loan.

(2) To avoid the margin penalties in Form 1 for cash and securities loan transactions, a Dealer Member must be party to a written agreement that contains the minimum terms set out in subsection 5840(3).

(3) This written cash and securities loan agreement must:

(i) set out the rights of each party to retain and realize on the securities delivered to it by the other party under the agreement if the other party defaults. These rights are in addition to other remedies in the agreement or available at law,

(ii) set out events of default,

(iii) provide for treatment of the securities or collateral value held by the non-defaulting party that is over the amount owed by the defaulting party, and

(iv) either:

(a) give the parties the right to set off their mutual debts, or

(b) enable the parties to effect a secured loan and provide that the lender must continuously segregate agreement collateral securities.

(4) If the parties agree to a secured loan as provided in sub-clause 5840(3)(iv)(b), and there is more than one method for the lender to perfect its security interest in the collateral, the lender must choose the method to achieve the highest priority in a default situation.

(5) Whether the parties rely on set off or agree to a secured loan as provided in clause 5840(3)(iv), the written cash and securities loan agreement must provide for the securities borrowed and loaned to be free and clear of any trading restrictions under applicable laws, and signed for transfer.

5841. - 5849. Reserved.

5850. Repurchase agreements and reverse repurchase agreements

(1) To avoid the margin penalties in Form 1 for repurchase agreement and reverse repurchase agreement transactions, a Dealer Member must be party to a written agreement that contains the minimum terms set out in subsection 5850(2).

(2) A written agreement for repurchase agreement transaction/reverse repurchase agreement transaction must:

(i) set out the rights of each party to retain and realize on the securities delivered to it by the other party under the agreement if the other party defaults. These rights are in addition to other remedies in the agreement or available at law,

(ii) set out events of default,

(iii) provide for treatment of the securities or collateral value held by the non-defaulting party that is over the amount owed by the defaulting party, and

(iv) either:
(a) give the parties the right to set off their mutual debts, or
(b) enable the parties to effect a secured loan and provide that the lender must continuously segregate agreement collateral securities.

(3) If the parties agree to the agreement as provided in sub-clause 5850(2)(iv)(b), and there is more than one method for the lender to perfect its security interest in the collateral, the lender must choose the method to achieve the highest priority in a default situation.

(4) Whether the parties rely on set off or agree to a secured loan as provided in clause 5850(2)(iv), the written agreement for repurchase agreement transaction/reverse repurchase agreement transaction must provide for the sold or purchased securities to be free and clear of any trading restrictions under applicable laws, and signed for transfer.

5851. - 5899. Reserved.
RULE 5900 | AGREEMENT RELATED MARGIN REQUIREMENTS

5901. Introduction

(1) The general margin requirements for call loan, cash and securities loan, repurchase agreements and reverse repurchase agreements that are entered into between a Dealer Member and a counterparty client are set out in Form 1. Rule 5900 sets out specific margin requirements that apply to securities loan, repurchase agreements and reverse repurchase agreements where, amongst other things, the compensation, price differential, fee, commission of other financing charge to be paid in connection with the agreement is calculated according to a fixed rate.

5902. Definitions

(1) The following term has the meaning set out below when used in the Rule:

| “fixed rate” | A rate expressed as a price, decimal, or percentage per year or expressed in another manner that does not vary until the termination of the relevant agreement. |

5903. Margin requirements for securities loan, repurchase agreements, and reverse repurchase agreements with term risk

(1) Despite any margin requirement set out in Form 1 regarding a securities loan, repurchase agreement or reverse repurchase agreement, if the special conditions set out in the chart below are met, the minimum Dealer Member inventory margin requirement for unhedged agreement positions is as follows:

<table>
<thead>
<tr>
<th>Position</th>
<th>Special conditions</th>
<th>Margin required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unhedged position</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities loan, repurchase agreement, or reverse repurchase agreement</td>
<td>▪ the obligation to repurchase, resell or terminate the loan is outstanding for more than five business days, ▪ the date of repurchase, resale, or termination of a loan is decided at the time of entering into the transaction, ▪ the amount of any compensation, price differential, fee, commission, or other financing charge to be paid in connection with the repurchase, resale, or loan is calculated according to a fixed rate, and ▪ the Dealer Member must perform the calculations daily and make full provision for any</td>
<td>The minimum Dealer Member inventory margin required for any unhedged term risk shall be determined by multiplying: (i) the relevant margin rate for a Government of Canada debt security with a term to maturity that is equal to the remaining term of the loan / agreement, as set out in section 5210(1)(i), by (ii) the loan / agreement market value.</td>
</tr>
</tbody>
</table>
The minimum Dealer Member inventory margin required for any residual offset term risk shall be determined by multiplying:

(i) the relevant margin rate for a Government of Canada debt security with a term to maturity that is equal to the remaining terms of the loans / agreements, as set out in section 5210(1)(i),

(ii) the net market value of the two loans / agreements.
7100 | DEBT MARKETS

7101. Introduction

(1) Rule 7100 establishes trading and settlement practices to promote fair and efficient debt securities markets. Unless expressly indicated, Rule 7100 makes no distinction between institutional and retail markets.

(2) For greater certainty, the provisions set forth in Rule 7100 shall not be construed to abrogate or derogate from any other provision of general applicability found elsewhere within Corporation requirements.

(3) Rule 7100 is divided into the following parts:
   Part A - General
       [sections 7102 and 7103]
   Part B - Debt market trading
       [sections 7104 through 7113]

PART A - GENERAL

7102. General requirements

(1) A Dealer Member must ensure that its trading in the debt securities markets does not contravene any applicable laws, regulation, direction, or requirement, whether or not such requirement is binding or has the force of law, including without limitation the directions or requirements of the Bank of Canada or the Department of Finance (Canada).

(2) A Dealer Member must not condone or knowingly facilitate conduct by its affiliates, clients, or counterparties that contravenes Rule 7100.

7103. Policies and procedures

(1) A Dealer Member’s policies and procedures must specifically address trading and conduct in the debt securities market to provide reasonable assurance of compliance with securities laws and Corporation requirements.

(2) A Dealer Member’s policies and procedures must specifically address the following items for the debt securities markets:
   (i) restrictions of, and controls over, trading in non-client accounts,
   (ii) a prohibition on the use of inside information,
   (iii) a prohibition of front-running,
   (iv) standards for fair allocation of new issues among clients,
   (v) standards for prompt and accurate disclosure to clients and counterparties if any conflict of interest arises, and
   (vi) for retail client accounts:
       (a) written policies or guidelines issued to its Registered Representatives on the Dealer Member’s mark-ups, mark-downs and commissions on debt securities sold to clients or purchased from clients, and
(b) reasonable monitoring procedures to detect mark-ups, mark-downs or commissions that exceed the maximums specified by the *Dealer Member*, and to ensure any deviation is justified.

(3) An Executive responsible for the appropriate business group of the *Dealer Member* must approve the policies, procedures and *internal controls* referred to in section 7103.

(4) A *Dealer Member* must regularly review its policies and procedures to ensure they are appropriate for the size, nature, and complexity of the *Dealer Member’s* business.

**PART B - DEBT MARKET TRADING**

**7104. Trading personnel**

(1) A *Dealer Member* must ensure that all personnel trading in the *debt securities* markets are:
   (i) properly qualified and trained, and
   (ii) aware of *Corporation requirements* and *applicable laws* relating to *debt securities* market trading.

(2) A *Dealer Member* must ensure that its personnel use clear and unambiguous language in their trading activities.

(3) A *Dealer Member’s* personnel must be familiar with the appropriate trading terminology and conventions.

(4) A *Supervisor* in the appropriate business group of the *Dealer Member* must supervise its trading activities.

**7105. Confidentiality**

(1) Except with the express permission of the party concerned or as required by *applicable laws*, a *Dealer Member*:
   (i) must ensure that its dealings with clients and counterparties are confidential,
   (ii) must not disclose or discuss, or request that others disclose or discuss, any client’s or counterparty’s participation in the *debt securities* markets or the terms of any trading or anticipated trading, and
   (iii) must ensure on a pre-trade basis that its own trading activities and planning strategies are kept confidential for market integrity purposes.

(2) A *Dealer Member’s* policies and procedures relating to *debt securities* must specifically address:
   (i) restricting access to confidential information to the personnel that require it for their jobs,
   (ii) confining trading by designated personnel to restricted-access office areas, and
   (iii) using secure forms of communications and technology.

(3) A *Dealer Member* that is a *Government Securities Distributor* (defined in section 7202) must comply with requests for information from the Bank of Canada.

**7106. Resources and systems**

(1) A *Dealer Member* must have sufficient capital, liquidity support, and personnel to support its trading activities.
(2) A Dealer Member must have comprehensive operating systems, including all aspects of risk management, transaction valuation, technology, and financial reporting to ensure full support for trading.

7107. Conflicts of interest
(1) A Dealer Member must ensure that its dealings in debt securities markets are fair and transparent.
(2) A Dealer Member must fulfill its duties to clients before its own interests or those of its personnel.

7108. Duty to deal fairly
(1) A Dealer Member must observe high standards of ethics and conduct in transacting business to maintain investor confidence in the debt securities markets.
(2) A Dealer Member must prohibit any business conduct or practice that is unbecoming or detrimental to the public interest.
(3) A Dealer Member must act fairly, honestly, and in good faith when marketing, entering into, carrying out, and administering trades in the debt securities markets.

7109. Manipulative and deceptive practices in the debt markets
(1) In its trading activities in the debt securities markets, a Dealer Member must not, directly or indirectly, engage or participate in any act, method or practice it knows or ought reasonably to know is manipulative or deceptive.
(2) Without limiting the conduct prohibited by Rule 7100, the following are manipulative or deceptive practices:
   (i) carrying out trades intended to artificially increase trading volumes,
   (ii) carrying out trades intended to artificially change trading prices,
   (iii) participating in or tacitly consenting to spreading rumours or information about issuers that are known, or ought reasonably to be known, to be false or misleading,
   (iv) disseminating any information that falsely states or implies governmental approval of any institution or trading, or
   (v) conspiring or colluding with another market participant to manipulate or unfairly deal in the debt securities markets.

7110. Taking unfair advantage
(1) A Dealer Member must not engage in trading practices that take unfair advantage of clients or counterparties by:
   (i) acting on knowledge of a new issue or client order to unfairly profit from the expected market movement or distorted market levels,
   (ii) carrying out proprietary trades ahead of client orders on the same side of the market without first disclosing to the client the intention to do so and obtaining the client’s approval,
   (iii) profiting unfairly by using proprietary information that if released could reasonably be expected to affect market prices,
   (iv) using material non-public information,
(v) abusing market procedures or conventions to obtain an unfair advantage over, or unfairly prejudice, its counterparties or clients, or

(vi) completing a trade when the price is clearly outside of the prevailing market and proposed or agreed to as a result of a manifest error.

7111. Derivatives trading

(1) The prohibitions in sections 7109 and 7110 apply to trading in derivatives of debt securities.

7112. Prohibited practices

(1) A Dealer Member must not accept any order or carry out any trade where the Dealer Member knows, or has reasonable grounds to believe, the result would contravene Corporation requirements or any applicable laws.

(2) An Approved Person or employee of a Dealer Member must not accept any material consideration, including remuneration, gratuity or benefit, from any person other than the Dealer Member for any activities conducted on behalf of a client.

(3) A Dealer Member must not offer any consideration, including remuneration, gratuity, or benefit, to any partner, director, officer, employee, agent or shareholder of a client or any associate of such persons, unless the prior written consent of the client has been obtained.

(4) Consideration that is non-monetary, of minimal value and infrequent such that it will not cause a reasonable person to question whether it created a conflict of interest is not consideration under subsections 7112(2) and 7112(3).

7113. Surveillance and reporting

(1) A Dealer Member must monitor the trading and conduct of its employees and agents in the debt securities markets.

(2) A Dealer Member must promptly report to the Corporation or other authority having jurisdiction, including the Bank of Canada:
   (i) any breaches of Corporation requirements, or
   (ii) suspicious or irregular market conduct.

(3) When requested by the Corporation or the Bank of Canada (with respect to Government of Canada securities), a Dealer Member and any related company must disclose, on a confidential basis, the respective par value of each of its holdings in certain specified assets, in the form prescribed by the Bank of Canada (also known as a “Net Position Report”). On request, a Dealer Member must also provide any other information to identify large holdings that would permit a participant to have undue influence over the debt securities markets.

7114. — 7199. Reserved.
RULE 7200 | TRANSACTION REPORTING FOR DEBT SECURITIES

7201. Introduction

(1) Rule 7200 requires Dealer Members to report information about each of their transactions (and the transactions of any affiliate that is a Government Securities Distributor (defined in section 7202)) in debt securities to the Corporation through a system maintained by the Corporation.

(2) The reported transaction data required by Rule 7200 is used in the Corporation’s surveillance of the debt securities market to identify potential market abuses such as violations of the fair pricing requirements of section 3125, insider trading and market manipulation. It also supports the Corporation’s general inspection and enforcement activities, rulemaking, and other regulatory functions. The trade data received pursuant to Rule 7200 enables appropriate oversight to ensure the integrity of over-the-counter debt securities market trading and strengthen standards of investor protection.

(3) For the purposes of Rule 7200, fact that a security was issued in another country or denominated in a foreign currency does not disqualify it from being a debt security.

7202. Definitions

(1) The following terms have the meaning set out below when used in Rule 7200:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>“authorized agent”</td>
<td>A Dealer Member or other business entity that has successfully enrolled with the Corporation under section 7205 to submit debt securities transaction reports on behalf of Dealer Members.</td>
</tr>
<tr>
<td>“CUSIP”</td>
<td>Committee on Uniform Securities Identification Procedures.</td>
</tr>
<tr>
<td>“file receipt”</td>
<td>An electronic acknowledgement that confirms the transaction reporting data file has been successfully transmitted.</td>
</tr>
<tr>
<td>“Government Securities Distributor”</td>
<td>An entity that has been given notice of its status as such by the Bank of Canada and applies to those bidders eligible to participate directly in the tender process at Government of Canada auctions.</td>
</tr>
<tr>
<td>“ISIN”</td>
<td>International Securities Identification Number.</td>
</tr>
<tr>
<td>“MTRS 2.0”</td>
<td>The Market Trade Reporting System operated by the Corporation for reporting debt securities transactions.</td>
</tr>
<tr>
<td>“MTRS 2.0 Enrollment Form”</td>
<td>The form filed by a Dealer Member with the Corporation to supply contact and other information that may be needed by the Corporation in connection with the Dealer Member’s reporting of debt securities transactions. An MTRS 2.0 Enrollment Form must also be filed by any party seeking to act as an authorized agent for a Dealer Member in reporting transaction data to MTRS 2.0.</td>
</tr>
<tr>
<td>“riskless principal trade”</td>
<td>A trade in a debt security that involves two offsetting orders (buy and sell) that are filled through transactions executed against a Dealer Member’s trading or other proprietary account, with the execution of one of the orders dependent upon the receipt or execution of the other. A riskless principal trade results in two offsetting principal transactions on the Dealer Member’s books, rather than one agency transaction. A Dealer Member typically performs a riskless principal trade to fill a client order with an offsetting transaction in the market or with another client.</td>
</tr>
</tbody>
</table>
"special condition indicator" | A code used on a transaction report to indicate that the transaction has certain attributes. Among other uses, the special condition indicator helps to identify transactions that may be priced differently than other transactions in the same issue (for instance, a primary market transaction subject to a fixed price offering agreement). Special condition indicators are also used to identify repurchase agreement transactions, transactions that involve parties related to the Dealer Member executing the transaction, and certain other conditions that may apply to a transaction and that are relevant to the regulatory and market surveillance purposes of Rule 7200.

7203. Reporting requirements

(1) Every Dealer Member must report each of its transactions in debt securities (including repurchase agreement transactions or reverse repurchase agreement transactions) and the transactions in debt securities (including repurchase agreement transactions or reverse repurchase agreement transactions) of any affiliate that is a Government Securities Distributor, to the Corporation within the timeframes and in the manner specified in Rule 7200, subject to the exceptions stated below in subsection 7203(2).

(2) The following must not be reported under subsection 7203(1):

   (i) a transaction in debt securities that have no ISIN or CUSIP number assigned on the date of trade execution, except that, if that transaction is a new issue of a debt security, it shall be reported within the timeframe stated in clause 7204(1)(ii),

   (ii) a transaction in exchange listed debt securities executed on a Marketplace that transmits to the Corporation trade information required under National Instrument 23-101,

   (iii) a transaction between two separate business units or profit centres within the reporting Dealer Member where there is no change in beneficial ownership,

   (iv) a repurchase agreement transaction or reverse repurchase agreement transaction executed by a Dealer Member that is not a Government Securities Distributor,

   (v) a transaction in which the Bank of Canada or the Bank of Canada on behalf of the Government of Canada is the counterparty, and

   (vi) a transaction, other than a repurchase agreement transaction or reverse repurchase agreement transaction, executed by an affiliate that is a Government Securities Distributor only for Government of Canada treasury bills, in a debt security with an original term to maturity of greater than one year.

(3) Reporting responsibilities in the most common situations are as follows:

   (i) in a transaction between a Dealer Member and a client or non-client, the Dealer Member reports,

   (ii) in a transaction between a Dealer Member and an inter-dealer bond broker or issuer, the Dealer Member reports, and

   (iii) in a transaction between a Dealer Member and an Alternative Trading System, the Dealer Member must report. In a transaction between an Alternative Trading System and a client, the Alternative Trading System reports.
(4) A Dealer Member may use an **authorized agent** to submit transactions to MTRS 2.0. A Dealer Member utilizing an **authorized agent** for transaction reporting remains responsible for compliance with Rule 7200.

(5) A Dealer Member is required to obtain a Legal Entity Identifier and must comply with all applicable requirements imposed by the Global Legal Entity Identifier System.

(6) Transaction reports made under subsection 7203(1) must accurately and completely reflect the reported transaction and must contain the following data elements relevant to a bond or repurchase agreement transaction or reverse repurchase agreement transaction, as applicable:

<table>
<thead>
<tr>
<th>No.</th>
<th>Data</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>SECURITY IDENTIFIER</td>
<td>The ISIN number or CUSIP number assigned to the securities in the transaction</td>
</tr>
<tr>
<td>2.</td>
<td>SECURITY IDENTIFIER TYPE</td>
<td>The type of identifier that was submitted, ISIN or CUSIP</td>
</tr>
<tr>
<td>3.</td>
<td>TRADE IDENTIFIER</td>
<td>Unique identifier assigned to the transaction by the reporting Dealer Member</td>
</tr>
<tr>
<td>4.</td>
<td>ORIGINAL TRADE IDENTIFIER</td>
<td>Included on trade cancelations or corrections</td>
</tr>
<tr>
<td>5.</td>
<td>TRANSACTION TYPE</td>
<td>Indicates whether the transaction is new, a cancelation, or a correction</td>
</tr>
<tr>
<td>6.</td>
<td>EXECUTION DATE</td>
<td>The day the transaction was executed</td>
</tr>
<tr>
<td>7.</td>
<td>EXECUTION TIME</td>
<td>The time at which the transaction was executed, either as recorded by an electronic trading system or time of entry into a trade booking system</td>
</tr>
<tr>
<td>8.</td>
<td>SETTLEMENT DATE</td>
<td>The date the transaction is reported to settle</td>
</tr>
<tr>
<td>9.</td>
<td>TRADER IDENTIFIER</td>
<td>Assigned by reporting Dealer Member to identify the individual/desk responsible for the transaction</td>
</tr>
<tr>
<td>10.</td>
<td>REPORTING DEALER IDENTIFIER</td>
<td>The Legal Entity Identifier of the reporting Dealer Member</td>
</tr>
<tr>
<td>11.</td>
<td>COUNTERPARTY TYPE</td>
<td>Indicates whether the counterparty was a client, non-client, a Dealer Member, a Dealer Member acting as an Alternative Trading System, an inter-dealer bond broker (IDBB), an issuer or a bank</td>
</tr>
<tr>
<td>12.</td>
<td>COUNTERPARTY IDENTIFIER</td>
<td>The Legal Entity Identifier of the counterparty, when the counterparty is a Dealer Member, bank, inter-dealer bond broker (IDBB), or Alternative Trading System. Bank trades are defined as trades with Schedule I chartered banks and Canadian offices of Schedule II chartered banks</td>
</tr>
<tr>
<td>13.</td>
<td>CLIENT ACCOUNT TYPE</td>
<td>Indicates whether the client is a retail client or an institutional client. This field must be populated if the counterparty type is ‘client’</td>
</tr>
<tr>
<td>14.</td>
<td>CLIENT LEI</td>
<td>The Legal Entity Identifier of the client supervised as an institutional client.</td>
</tr>
<tr>
<td>15.</td>
<td>CLIENT ACCOUNT IDENTIFIER</td>
<td>The account number of the client supervised as a retail client.</td>
</tr>
<tr>
<td>16.</td>
<td>INTRODUCING/ CARRYING DEALER INDICATOR</td>
<td>Indicates whether the reporting Dealer Member acted in the capacity of an introducing broker or carrying broker</td>
</tr>
<tr>
<td>No.</td>
<td>Data</td>
<td>Description</td>
</tr>
<tr>
<td>-----</td>
<td>------</td>
<td>-------------</td>
</tr>
<tr>
<td>17.</td>
<td>ELECTRONIC EXECUTION INDICATOR</td>
<td>Indicates if the transaction was executed on or facilitated through an electronic trading venue</td>
</tr>
<tr>
<td>18.</td>
<td>TRADING VENUE IDENTIFIER</td>
<td>The Legal Entity Identifier of the electronic trading venue</td>
</tr>
<tr>
<td>19.</td>
<td>SIDE</td>
<td>Indicates whether the reporting Dealer Member was a buyer or seller</td>
</tr>
<tr>
<td>20.</td>
<td>QUANTITY</td>
<td>Par value of securities</td>
</tr>
<tr>
<td>21.</td>
<td>PRICE</td>
<td>The price at which the transaction was executed, including any mark-ups or mark-downs or commission</td>
</tr>
<tr>
<td>22.</td>
<td>BENCHMARK SECURITY IDENTIFIER</td>
<td>The ISIN or CUSIP of the bond used as pricing benchmark (if any)</td>
</tr>
<tr>
<td>23.</td>
<td>BENCHMARK SECURITY IDENTIFIER TYPE</td>
<td>The type of identifier that was submitted, ISIN or CUSIP</td>
</tr>
<tr>
<td>24.</td>
<td>YIELD</td>
<td>The yield as stated on the client confirmation</td>
</tr>
<tr>
<td>25.</td>
<td>COMMISSION</td>
<td>For retail client transactions, the total amount of any mark-up or mark-down, commission or other services charges as stated on the client confirmation</td>
</tr>
<tr>
<td>26.</td>
<td>CAPACITY</td>
<td>Indicates whether the Dealer Member acted as principal or agent (riskless principal trades reported as principal)</td>
</tr>
<tr>
<td>27.</td>
<td>PRIMARY MARKET</td>
<td>Special condition indicator to indicate that the transaction is being submitted by an underwriter of a new issue of debt securities and that, at the time of the transaction, the securities were subject to a fixed price offering agreement. “Take-down” allocations from a syndicate manager to syndicate members are included in this designation as well as customer allocations by any member of the underwriting group subject to a fixed price offering agreement at the time of trade</td>
</tr>
<tr>
<td>28.</td>
<td>RELATED PARTY INDICATOR</td>
<td>Special condition indicator to indicate that the counterparty is an affiliate of the Dealer Member</td>
</tr>
<tr>
<td>29.</td>
<td>NON RESIDENT INDICATOR</td>
<td>Special condition indicator to indicate that the transaction is one with a non-resident counterparty</td>
</tr>
<tr>
<td>30.</td>
<td>FEE BASED ACCOUNT INDICATOR</td>
<td>Special condition indicator to indicate that the transaction is for a retail client account paying non-transaction-based fees as partial or full remuneration for the Dealer Member’s transaction execution services</td>
</tr>
</tbody>
</table>

Elements specific to repurchase agreement transactions or reverse repurchase agreement transactions:

<table>
<thead>
<tr>
<th>No.</th>
<th>Data</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.</td>
<td>REPO AGREEMENT IDENTIFIER</td>
<td>Unique identifier assigned to the repurchase agreement transaction or reverse repurchase agreement transaction by the reporting Dealer Member</td>
</tr>
<tr>
<td>32.</td>
<td>REPO TYPE</td>
<td>Indicates whether the transaction was conducted as part of a repurchase agreement, a reverse repurchase agreement, a sell/buy-back, or a buy/sellback</td>
</tr>
<tr>
<td>No.</td>
<td>Data</td>
<td>Description</td>
</tr>
<tr>
<td>-----</td>
<td>-------------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>33.</td>
<td>REPO TERM</td>
<td>Indicates whether the <em>repurchase agreement</em> transaction or <em>reverse repurchase agreement</em> transaction has fixed term or is an open term <em>repurchase agreement</em> transaction or <em>reverse repurchase agreement</em> transaction. May indicate whether <em>repurchase agreement</em> transaction or <em>reverse repurchase agreement</em> transaction is evergreen or extendable. Optional values</td>
</tr>
<tr>
<td>34.</td>
<td>REPO MATURITY DATE</td>
<td>The maturity date if the <em>repurchase agreement</em> transaction or <em>reverse repurchase agreement</em> transaction has a term</td>
</tr>
<tr>
<td>35.</td>
<td>CURRENCY OF REPO</td>
<td>The currency denomination of the cash payment used for the initial purchase of the security in a <em>repurchase agreement</em> or <em>reverse repurchase agreement</em></td>
</tr>
<tr>
<td>36.</td>
<td>REPO RATE</td>
<td>The <em>repurchase agreement</em> or <em>reverse repurchase agreement</em> interest rate. If the interest rate is not a term of the contract, then it is the interest rate implied by the difference between the sale (purchase) price and its repurchase (resale) price</td>
</tr>
<tr>
<td>37.</td>
<td>REPO HAIRCUT</td>
<td>The <em>repurchase agreement</em> or <em>reverse repurchase agreement</em> haircut. If the haircut is not a term of the contract, then it is the haircut implied by the disparity between the purchase price and the <em>market value</em> of the security at the time of initial purchase</td>
</tr>
<tr>
<td>38.</td>
<td>REPO COLLATERAL SECURITY TYPE</td>
<td>Where the <em>Dealer Member</em> is aware of the collateral being used, indicates the type of identifier that was submitted for a single security, (<em>ISIN</em> or <em>CUSIP</em>), or if the <em>repurchase agreement</em> transaction or <em>reverse repurchase agreement</em> transaction is for multiple securities. Where the <em>Dealer Member</em> is not aware of the collateral being used, indicates general.</td>
</tr>
<tr>
<td>39.</td>
<td>REPO COLLATERAL SECURITY IDENTIFIER</td>
<td>The <em>ISIN</em> or <em>CUSIP</em> number of the security underlying a <em>repurchase agreement</em> transaction or <em>reverse repurchase agreement</em> transaction at the beginning of the agreement if a single security is used as collateral</td>
</tr>
<tr>
<td>40.</td>
<td>CLEARING HOUSE</td>
<td>If the <em>repurchase agreement</em> transaction or <em>reverse repurchase agreement</em> transaction was centrally cleared, the <em>Legal Entity Identifier</em> of the central clearing house</td>
</tr>
<tr>
<td>41.</td>
<td>TRI-PARTY REPO INDICATOR</td>
<td>Indicates whether the <em>repurchase agreement</em> transaction or <em>reverse repurchase agreement</em> transaction is a tri-party repo.</td>
</tr>
</tbody>
</table>

(7) The reporting *Dealer Member* must ensure that the registration status of its *Legal Entity Identifier* has not lapsed.

### 7204. Reporting timeframes

(1) A *Dealer Member* must ensure that a transaction report for which the *Dealer Member* is responsible is received by the *Corporation* in proper form and with complete and accurate information within the following timeframes:
(i) for transactions in debt securities with ISIN or CUSIP Numbers assigned on the date of trade execution:
   (a) if the date of trade execution is a business day and the time of transaction execution is no later than 4:00 p.m., the report must be made no later than 10:00 p.m. on the same business day as the date of trade execution,
   (b) if the date of trade execution is a business day and the time of transaction execution is after 4:00 p.m., the report:
      (I) may be made by 10:00 p.m. on the same business day as the date of the transaction execution, and
      (II) must be made no later than 10:00 p.m. on the first business day following the date of trade execution, and
   (c) for all other transactions, including those executed on a Saturday, Sunday, or any officially recognized Federal or Provincial statutory holiday on which the system is closed, the report must be made no later than 10:00 p.m. on the first business day following the date of trade execution,

provided, however, that:

(ii) for transactions in new issue debt securities with no ISIN or CUSIP number assigned, a transaction report required under clause 7203(2)(i) must be made:
   (a) where the ISIN or CUSIP is assigned before 4:00 p.m., no later than 10:00 p.m. on the same business day that the ISIN or CUSIP number is assigned,
   (b) where the ISIN or CUSIP is assigned after 4:00 p.m., no later than 10:00 p.m. on the first business day following the day that the ISIN or CUSIP was assigned.

(2) Upon a successful submission and receipt by the Corporation of transaction reports, MTRS 2.0 provides the submitter with file receipts, which must be retained by the Dealer Member:
   (i) in a central, readily accessible place for a period of two years from the date of each file receipt, and
   (ii) in any location from which the File Receipts may be retrieved within a reasonable period of time for a period of seven years from the date of each file receipt.

7205. Enrollment requirements

(1) A Dealer Member or authorized agent that will submit debt securities transaction reports to MTRS 2.0 must enroll in MTRS 2.0 and receive file submission credentials from the Corporation by completing the MTRS 2.0 Enrollment Form with all required information, including technical and business contact points.

(2) Once enrolled, Dealer Members remain responsible for keeping all information on the MTRS 2.0 Enrollment Form up to date.

7206. – 7299. Reserved.
Rule 7300 describes Corporation requirements for inter-dealer bond brokers used by Dealer Members. Its purposes are to ensure the financial viability of inter-dealer bond brokers and make the debt securities market more efficient.

Rule 7300 is divided into the following parts:
- Part A - General requirements
- Part B - Requirements for inter-dealer bond broker approval and continued approval
- Part C - Changes to Corporation requirements for inter-dealer bond brokers

The following terms have the meaning set out below when used in Rule 7300:

<table>
<thead>
<tr>
<th>Term</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;domestic debt securities&quot;</td>
<td>Canadian dollar denominated debt securities issued or primarily traded in Canadian markets, whether issued by the Government of Canada, a province, a municipality, a crown corporation, or a private sector corporation, and includes securities being traded on a &quot;when issued&quot; basis. Eurodollar debt securities are not domestic debt securities.</td>
</tr>
<tr>
<td>&quot;inter-dealer bond broker client&quot;</td>
<td>A person permitted by an inter-dealer bond broker to use its services to trade domestic debt securities.</td>
</tr>
<tr>
<td>&quot;inter-dealer bond broker trader&quot;</td>
<td>An individual supervised or controlled by an inter-dealer bond broker client, either through an employee or other similar relationship, who is authorized by the inter-dealer bond broker client to use the inter-dealer bond broker to buy or sell domestic debt securities for that inter-dealer bond broker client.</td>
</tr>
<tr>
<td>&quot;information processor&quot;</td>
<td>Any person that receives and provides information under National Instrument 21-101 and has filed a 21-101F5 and, in Québec, that is a recognized information processor.</td>
</tr>
</tbody>
</table>

**PART A - GENERAL REQUIREMENTS**

Dealer Members must trade through a Corporation approved inter-dealer bond broker

1. A Dealer Member that trades domestic debt securities through the facilities of an inter-dealer bond broker must do so through a Corporation approved inter-dealer bond broker. Trades must comply with the inter-dealer bond broker's operating procedures and Corporation requirements.

**PART B - REQUIREMENTS FOR INTER-DEALER BOND BROKER APPROVAL AND CONTINUED APPROVAL**

Eligibility of inter-dealer bond broker for Corporation approval

1. An applicant for Corporation approval as an inter-dealer bond broker must:
   i. be registered or licensed in each province or territory where it requires registration or licensing,
(ii) comply with securities laws and requirements of any securities regulatory authority having jurisdiction over the applicant, and

(iii) comply with the standards and conditions of approval described in section 7305.

(2) An applicant for approval as an inter-dealer bond broker must submit its application to the Corporation together with any information required by Corporation requirements.

7305. Corporation requirements for inter-dealer bond broker approval and continued approval

(1) An inter-dealer bond broker must comply with the requirements in section 7305 to be approved by the Corporation and to retain its approval.

(2) An inter-dealer bond broker must have and maintain at least $500,000 of shareholders’ equity, or have a parent corporation with at least $500,000 of shareholders’ equity irrevocably guarantee that amount.

(3) An inter-dealer bond broker must:

(i) provide evidence to the Corporation that all of its inter-dealer bond broker clients are and will continue to be:

(a) Dealer Members,

(b) Canadian chartered banks or other organizations described in clause 7305(4)(iii) below, or

(c) any other Corporation approved financial institution,

(ii) require each new inter-dealer bond broker client, other than a Dealer Member or Canadian chartered bank, to provide it with recent financial statements or other evidence of financial condition and a favourable reference letter from a participant in a Corporation approved inter-dealer bond broker, and

(iii) provide evidence to the Corporation that all of the inter-dealer bond broker traders for its inter-dealer bond broker clients will be located in Canada.

(4) Clause 7305(3)(iii) does not apply to an inter-dealer bond broker trader trading for an inter-dealer bond broker client that:

(i) is a Schedule I chartered bank or its affiliate (other than an affiliate, or its subsidiary, whose business is mainly securities),

(ii) is a Schedule II chartered bank or its subsidiary of such a bank whose primary business is not securities (this exception does not apply to inter-dealer bond broker traders of other affiliates of chartered banks), or

(iii) (a) is a Dealer Member or branch office member,

(b) is a Dealer Member’s affiliate that has entered into an agreement as subsection 7305(7) describes and that either is regulated by the United States Financial Industry Regulatory Authority or is a member of any other self-regulatory organization or regulatory authority, or

(c) has entered into an agreement as subsection 7305(7) describes and:

(I) is not a Dealer Member’s affiliate,

(II) is regulated by the United States Financial Industry Regulatory Authority or is a member of any other self-regulatory organization or regulatory authority, and
(III) gives the Corporation a satisfactory legal opinion stating that the inter-dealer bond broker client does not contravene the registration requirements of securities laws.

(5) The inter-dealer bond broker must only deal in domestic debt securities as agent on behalf of its inter-dealer bond broker clients and must not act as principal, either directly or indirectly.

(6) The inter-dealer bond broker must provide accurate and timely information regarding details of orders and trades for domestic debt securities to the information processor, as required by National Instrument 21-101.

(7) Inter-dealer bond broker clients outside Canada must sign an agreement under sub-clauses 7305(4)(iii)(b) and 7305(4)(iii)(c) that complies with the following provisions:

(i) the parties to the agreement must include the Corporation, the inter-dealer bond broker client outside Canada and, if applicable, the inter-dealer bond broker client’s affiliated Dealer Member,

(ii) an inter-dealer bond broker client outside Canada must state that it is carrying out its trading:

(a) in a jurisdiction in which it either is regulated by the United States Financial Industry Regulatory Authority or is a member of any other self-regulatory organization or regulatory authority, or

(b) from a jurisdiction in which the Corporation is satisfied that one of the self-regulatory organizations specified in sub-clause 7305(7)(ii)(a) has jurisdiction over its trading activities,

(iii) an inter-dealer bond broker client outside of Canada must agree to give a Dealer Member its domestic debt securities trading activity information so that the Dealer Member can regularly report its aggregated trading to the Corporation under Corporation requirements,

(iv) if the Corporation requests this information for a specific inquiry about domestic debt securities trading, the inter-dealer bond broker client outside Canada must agree to give it, subject to appropriate confidentiality provisions, additional information, and

(v) the agreement must adapt the requirements in clauses 7305(7)(i) through 7305(7)(iv) to the circumstances of the inter-dealer bond broker client.

(8) Commission schedule requirements:

(i) An inter-dealer bond broker must publish a commission schedule showing commissions charged for a trade.

(ii) An inter-dealer bond broker must not charge a commission greater than those listed in its commission schedule.

(iii) A change to an inter-dealer bond broker’s commission schedule may be effective from the date the inter-dealer bond broker gives written notice to all its inter-dealer bond broker clients.

(9) Operating procedures manual and other requirements:

(i) An inter-dealer bond broker must have a current operating procedures manual and appropriate enforcement or compliance procedures to ensure its provisions are observed.
(ii) The inter-dealer bond broker’s operating procedures manual must:

(a) have a code of ethics that includes the following:
   (I) the inter-dealer bond broker will keep confidential all information received from or about its inter-dealer bond broker clients or their activities, unless that information must be disclosed for regulatory or compliance reasons,
   (II) all inter-dealer bond broker clients will receive fair treatment, and
   (III) the inter-dealer bond broker will not give to an inter-dealer bond broker client’s partner, director, officer, employee, agent or shareholder or any associate of such persons any gift or other incentive to do business unless it is non-monetary, of minimal value and infrequent such that it will not cause a reasonable person to question whether it created a conflict of interest,

and

(b) describe the minimum capital requirements for its inter-dealer bond broker clients and the procedure to establish the requirements.

(iii) An approved inter-dealer bond broker must provide a copy of its operating procedures manual to each inter-dealer bond broker client.

(iv) The inter-dealer bond broker must give its inter-dealer bond broker clients two weeks prior written notice of any amendment to its operating procedures manual, unless the Corporation approves a shorter notice period.

(10) An inter-dealer bond broker must give each of its inter-dealer bond broker clients a daily report that describes the net amount of outstanding deliveries and the total amount of outstanding deliveries that the inter-dealer bond broker clients had with every other inter-dealer bond broker client at the previous day’s close of business in each of the following categories:

(i) domestic debt securities, with 10 years or less to maturity, issued or guaranteed by the Government of Canada or by a Canadian province or municipality,

(ii) domestic debt securities with more than 10 years to maturity, issued or guaranteed by the Government of Canada or a Canadian province or municipality,

(iii) domestic debt securities issued by a corporation, and

(iv) other debt securities, including domestic debt securities not in another category.

(11) An inter-dealer bond broker must file with the Corporation:

(i) within 140 days of its financial year end, summary statement of financial position information and an auditor’s report, prepared in accordance with generally accepted accounting principles, and

(ii) within 60 days of the interim-period date, interim semi-annual statement of financial position information prepared in accordance with generally accepted accounting principles.

(12) An inter-dealer bond broker must have its auditor confirm to the Corporation, at least annually, that the inter-dealer bond broker has met Corporation requirements for continued approval under Rule 7300. At a minimum, the confirmation must state the following:

“In the course of our audit, nothing came to our attention that caused us to believe that the company held a position in securities for its own account or dealt with any
person that is not eligible to be an inter-dealer bond broker client of the company under Rule 7300.”

(13) The parties to an inter-dealer bond broker client agreement must agree that any disagreement between inter-dealer bond broker clients, or between an inter-dealer bond broker client and the inter-dealer bond broker, about who is responsible for a financial loss of less than $100,000 must go to arbitration under the Arbitrations Act (Ontario). The parties must agree that the following provisions govern any arbitration:

(i) Three arbitrators must resolve the disagreement. The arbitrators must be selected as follows:
   (a) one arbitrator must be the Chair of the Corporation Fixed Income Committee or, if the Chair is involved in the disagreement, the Chair’s designate,
   (b) the parties to the disagreement must unanimously agree on the selection of one arbitrator from among all the Corporation approved inter-dealer bond brokers and their inter-dealer bond broker clients, and
   (c) the parties must unanimously agree on the selection of one arbitrator who is unconnected to either an inter-dealer bond broker client or an inter-dealer bond broker. If the parties cannot unanimously agree, then a party may apply to have a judge select one or both arbitrators.

(ii) Subject to co-operation from the parties, the arbitrators must make their decision within two weeks of being notified in writing of their appointment. However, the parties may agree on a later notification date.

(iii) The parties may not appeal the arbitrators’ award under the Arbitrations Act (Ontario).

PART C - CHANGES TO Corporation REQUIREMENTS FOR INTER-DEALER BOND BROKERS

7306. Committee review

(1) The Corporation must consult a committee comprised of representatives of parties to which Rule 7300 applies, including Dealer Members, inter-dealer bond broker clients outside of Canada, and approved inter-dealer bond brokers, before the Corporation amends Rule 7300 or changes its interpretation of Rule 7300.

7307. – 7999. Reserved.
RULE 8100 | ENFORCEMENT INVESTIGATIONS

8101. Introduction

(1) Rule 8100 sets out the powers of the Corporation to initiate and conduct enforcement investigations and the rights and obligations of Regulated Persons with respect to such investigations.

8102. Conducting investigations

(1) Enforcement Staff may investigate the conduct, business and affairs of a Regulated Person with respect to Corporation requirements, applicable laws, or trading or advising in respect of securities, futures contracts or derivatives.

8103. Investigation powers

(1) In connection with an investigation, Enforcement Staff may, by written or electronic request, require a Regulated Person, an employee, partner, director or officer of a Regulated Person, an approved investor, or, where authorized by law, another person to:

(i) provide a written report with respect to any matter,

(ii) produce for inspection any records and documents in the person’s possession or control that Enforcement Staff believe may be relevant to the investigation, whether written, electronically stored or recorded,

(iii) provide copies of any such records and documents in the manner and form, including electronically and recorded, that Enforcement Staff requests, and

(iv) attend and answer questions under oath or otherwise, and any such attendance may be transcribed, recorded electronically, audio-recorded or video-recorded, as Enforcement Staff determines.

(2) If Enforcement Staff requires production of original documents in a request made under subsection 8103(1), they must provide a receipt for any original documents received.

(3) In connection with an investigation, Enforcement Staff:

(i) may, with or without prior notice, enter the business location of any Regulated Person during business hours,

(ii) are entitled to free access to and to make and keep copies of all books of account, securities, cash, documents, bank accounts, vouchers, correspondence and records of every description that Enforcement Staff believe may be relevant to the investigation, including by taking an image of the computer hard drives of the Regulated Person, and

(iii) may remove the original of any document or record obtained under clause 8103(3)(ii), and where an original document or record is removed from the premises, Enforcement Staff must provide a receipt for the removed document or record.

8104. Obligations of Regulated Persons and other persons

(1) A person who receives a request made under section 8103 must comply with the request within the time specified in it.
Corporation Investment Dealer and Partially Consolidated Rules

2) If Enforcement Staff make a request under clause 8103(1)(i) or 8103(1)(iv) to a corporation, partnership or other organization, compliance with the request may be fulfilled by an employee of the corporation, partnership or organization who is acceptable to Enforcement Staff, taking into account the employee’s position and knowledge.

3) A person must cooperate with Enforcement Staff who are conducting an investigation, and a Regulated Person must require its employees, partners, directors and officers to cooperate with Enforcement Staff conducting an investigation and to comply with a request made under section 8103.

4) A person who is aware that Enforcement Staff are conducting an investigation must not conceal or destroy any record, document or thing that contains information that may be relevant to the investigation or to any subsequent proceeding relating to the subject matter of the investigation or ask or encourage another person to do so.

5) A Dealer Member or any person approved by, or under the jurisdiction of, the Corporation, that is requested by a Marketplace to provide information in connection with an investigation of trading of a security on that Marketplace shall submit the requested records to the Marketplace making the request in such a manner and form, including electronically, as may reasonably be prescribed by such Marketplace.

8105. Right to counsel

(1) A person who attends in response to a request under clause 8103(1)(iv) may be represented by counsel.

8106. Confidentiality of investigations

(1) The Corporation may make an order prohibiting a person from communicating, for a specified period, some or all of the following information related to an investigation to another person except the person’s counsel or another individual who represents the person or as required by law:

(i) the nature or content of the investigation or a request under subsection 8103(1),
(ii) the fact of an entry by Enforcement Staff under subsection 8103(3),
(iii) the fact that any report, record, other document or thing was requested, produced, provided, inspected, copied or taken,
(iv) the name of any person required to attend and answer questions, or
(v) any questions asked or any answers given on an attendance.

(2) An order made under subsection 8106(1) shall not prohibit disclosure:

(i) of any fact that the person became aware of otherwise than as a result of the conduct of the investigation,
(ii) that is required to fulfill:

(a) any request made in connection with an investigation, but only to the extent necessary to respond to the request,
(b) an obligation of the person under Corporation requirements,
(c) a fiduciary obligation of the person to a Regulated Person, or
(d) a contractual obligation of the person to comply with the policies of a Regulated Person,

(iii) of information in connection with the imposition of restrictions on a person who is a subject of the investigation, but only to the extent necessary to implement the restrictions, or

(iv) of the existence and nature of an investigation to:
(a) a Regulated Person who is the person’s employer,
(b) an employee of a Regulated Person with supervisory authority over or compliance responsibility for the person, or
(c) employees of the Regulated Person who are senior to the employees contemplated in sub-clause 8106(2)(iv)(b), but only to the extent necessary to supervise the person or allow officers of a Dealer Member or other Regulated Person to inform their board of directors of an investigation.

(3) Notwithstanding an order made under subsection 8106(1), a person may disclose information, with the consent of a hearing panel on a motion under section 8413, if the hearing panel determines that disclosure of that information would not impede the conduct of the investigation and is otherwise justifiable, subject to any terms and conditions that the hearing panel considers appropriate.

8107. Continuing jurisdiction

(1) A Regulated Person remains subject to Rule 8100 for six years following the date on which they cease to be:

(i) a Dealer Member, or

(ii) a Dealer Member of the Investment Industry Regulatory Organization of Canada,

(iii) a non-Dealer Member user or subscriber of a Marketplace for which the Corporation is the regulation services provider, or

(iv) a non-Dealer Member user or subscriber of a Marketplace for which the Investment Industry Regulatory Organization of Canada was the regulation services provider, or

(v) an employee, partner, Director, officer or any other representative designated in the Corporation requirements of a Dealer Member, or

(vi) an employee, partner, Director, officer or any other representative designated in the Corporation requirements of a Dealer Member of the Investment Industry Regulatory Organization of Canada, or

(vii) an employee, partner, director, officer or any other representative of a non-Dealer Member user or subscriber of a Marketplace for which the Corporation is the regulation services provider, or

(viii) an employee, partner, director, officer or any other representative of a non-Dealer Member user or subscriber of a Marketplace for which the Investment Industry Regulatory Organization of Canada was the regulation services provider.

8108. – 8199. Reserved.
**RULE 8200 | ENFORCEMENT PROCEEDINGS**

**8201. Introduction**

(1) Rule 8200 sets out the authority of the Corporation and hearing panels to hold hearings for enforcement purposes.

(2) Enforcement proceedings are intended to ensure compliance with and to enforce Corporation requirements, securities laws, and other requirements relating to trading or advising in respect of securities, futures contracts or derivatives.

(3) Rule 8200 is divided into the following parts:

   Part A - General  
   [sections 8203 through 8208]  
   Part B - Disciplinary proceedings  
   [sections 8209 through 8217]

**8202. Definitions**

(1) The following terms have the meaning set out below when used in Rule 8200:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>“decision”</td>
<td>A determination made by a hearing panel under Rule 8200 and includes a sanction and other order or ruling.</td>
</tr>
<tr>
<td>“disciplinary hearing”</td>
<td>A hearing under Rule 8200, except for a settlement hearing.</td>
</tr>
</tbody>
</table>

**PART A - GENERAL**

**8203. Hearings**

(1) A hearing must be conducted in accordance with Rule 8200 and the Rules of Procedure.

(2) A hearing panel may hold any hearing and make any decision that is authorized under Rule 8200 and the Rules of Procedure.

(3) A hearing panel may admit as evidence in a hearing any oral testimony and any document or other thing that is relevant, whether or not given or proven under oath or affirmation or admissible as evidence in a court.

(4) A hearing panel may require testimony or other evidence to be given or proven under oath or affirmation.

(5) A hearing under Rule 8200 must be open to the public, unless it is:

   (i) a settlement hearing, in which case it will be opened to the public only after a settlement agreement has been accepted by the hearing panel,

   (ii) a hearing to consider a temporary order under section 8211,

   (iii) a hearing or part of a hearing where the hearing panel is of the opinion that the desirability of avoiding disclosure of intimate, personal or other matters outweighs the desirability of allowing the hearing or part of the hearing to be open to the public, or
(iv) a hearing held in Québec where the hearing panel, on its own initiative or on the request of a party, orders the hearing or part of the hearing to be closed or prohibits the publication or release of documents in the interest of good morals or public order.

(6) A party to an enforcement proceeding may be represented by counsel or, where permitted by law, an agent.

(7) A hearing panel must provide written reasons for a decision made by it, including a decision accepting or rejecting a settlement agreement under section 8215, but not including an evidentiary or other procedural ruling, made in the course of a hearing, that is not dispositive of the issues raised in the hearing.

8204. Application and effective date of decisions

(1) A decision under Rule 8200 applies in all Districts, unless the hearing panel orders otherwise or unless the application of the decision is limited by law.

(2) A decision, other than a ruling in the course of a hearing, is effective on the date the decision is dated by the National Hearing Officer, unless Rule 8200 or the decision provides otherwise, in which case the decision is effective on the date so provided.

(3) A sanction, other than a fine or disgorgement, takes effect on the effective date of the decision imposing it, unless the decision provides otherwise.

(4) A fine, disgorgement and costs imposed by a decision are payable when the decision is effective, unless the decision provides or the parties agree otherwise.

8205. Commencement of enforcement proceedings

(1) The Corporation may commence proceedings and hold hearings, as provided in Rule 8200, to ensure compliance with and to enforce Corporation requirements, securities laws, and other requirements relating to trading or advising in respect of securities, futures contracts and derivatives.

(2) A proceeding under Rule 8200 must be commenced by notice of application or notice of hearing in accordance with the Rules of Procedure.

8206. Limitation

(1) A Regulated Person remains subject to Rule 8200 for six years following the date on which they cease to be:

(i) a Dealer Member, or

(ii) a Dealer Member of the Investment Industry Regulatory Organization of Canada,

(iii) a non-Dealer Member user or subscriber of a Marketplace for which the Corporation is the regulation services provider, or

(iv) a non-Dealer Member user or subscriber of a Marketplace for which the Investment Industry Regulatory Organization of Canada was the regulation services provider, or

(v) an employee, partner, Director, officer or any other representative designated in the Corporation requirements of a Dealer Member, or
(vi) an employee, partner, Director, officer or any other representative designated in the Corporation requirements of a Dealer Member of the Investment Industry Regulatory Organization of Canada, or

(vii) an employee, partner, director, officer or any other representative of a non-Dealer Member user or subscriber of a Marketplace for which the Corporation is the regulation services provider, or

(viii) an employee, partner, director, officer or any other representative of a non-Dealer Member user or subscriber of a Marketplace for which the Investment Industry Regulatory Organization of Canada was the regulation services provider.

(2) The Corporation may commence a proceeding under Rule 8200 against a Regulated Person up to six years after the date of the occurrence of the last event on which the proceeding is based.

(3) If a proceeding is commenced within the limitation period in subsection 8206(1) or 8206(2), the respondent remains subject to the requirements of Rule 8200 until the proceeding, including any review or appeal, is completed.

8207. Amounts owing to the Corporation

(1) A person remains liable to the Corporation for all amounts owing to the Corporation.

8208. Powers of compulsion

(1) A hearing panel may require a Regulated Person, an employee, partner, director or officer of a Regulated Person or the Corporation, including Corporation staff, and, if authorized by law, any other person to attend and give evidence or produce records and documents in connection with a hearing under Rule 8200.

(2) A Regulated Person must, upon receipt of an order of a hearing panel or a notice from the National Hearing Officer so requiring:
   (i) attend and give evidence, and
   (ii) produce for inspection and provide copies of any records or documents in the Regulated Person’s possession or control.

(3) If a hearing panel requires an employee, partner, director or officer of a Regulated Person, who is not an Approved Person, to attend at a hearing, the Regulated Person must direct the individual to attend and give evidence.

PART B - DISCIPLINARY PROCEEDINGS

8209. Sanctions for Dealer Members

(1) If, after a hearing, a hearing panel finds that a Dealer Member has contravened Corporation requirements, securities laws, or other requirement relating to trading or advising in respect of securities, futures contracts, or derivatives, the hearing panel may impose one or more of the following sanctions:
   (i) a reprimand,
   (ii) disgorgement of any amount obtained, including any loss avoided, directly or indirectly, as a result of the contravention,
(iii) a fine not exceeding the greater of:
   (a) $5,000,000 for each contravention, and
   (b) an amount equal to three times the profit made or loss avoided by the Dealer Member, directly or indirectly, as a result of the contravention,

(iv) suspension of Membership in the Corporation or of any right or privilege associated with Membership, including a direction to cease dealing with clients, for any period of time and on any terms and conditions,

(v) imposition of any terms or conditions on the Dealer Member’s continued Membership, including on access to a Marketplace,

(vi) expulsion from Membership and termination of the rights and privileges of Membership, including access to a Marketplace,

(vii) permanent bar to membership in the Corporation,

(viii) appointment of a Monitor, and

(ix) any other sanction determined to be appropriate under the circumstances.

(2) A Dealer Member may be sanctioned under subsection 8209(1) based on the conduct of an employee, partner, Director or officer.

(3) A sanction imposed under subsection 8209(1) relating to access to a Marketplace applies to all Marketplaces.

8210. Sanctions for Regulated Persons other than Dealer Members

(1) If after a hearing, a hearing panel finds that an Approved Person, a non-Dealer Member user or subscriber of a Marketplace for which the Corporation is the regulation services provider or an employee, partner, director or officer of such a user or subscriber has contravened Corporation requirements, securities laws, or other requirement relating to trading or advising in respect of securities, futures contracts, or derivatives, the hearing panel may impose on such person one or more of the following sanctions:

   (i) a reprimand,

   (ii) disgorgement of any amount obtained, including any loss avoided, directly or indirectly, as a result of the contravention,

   (iii) a fine not exceeding the greater of:

      (a) $5,000,000 for each contravention, and

      (b) an amount equal to three times the profit made or loss avoided by the person, directly or indirectly, as a result of the contravention,

   (iv) suspension of the person’s approval or any right or privilege associated with such approval, including access to a Marketplace, for any period of time and on any terms and conditions,

   (v) imposition of any terms or conditions on the person’s continued approval or continued access to a Marketplace,

   (vi) prohibition of approval in any capacity, for any period of time, including access to a Marketplace,
(vii) revocation of approval,
(viii) a permanent bar to approval in any capacity or to access to a Marketplace,
(ix) a permanent bar to employment in any capacity by a Regulated Person, and
(x) any other sanction determined to be appropriate under the circumstances.

(2) A sanction imposed under subsection 8210(1) relating to access to a Marketplace applies to all Marketplaces.

(3) A director or officer of a Regulated Person may be sanctioned under subsection 8210(1) based on the conduct of the Regulated Person with which he or she is associated.

(4) A Regulated Person must not employ, hire, retain, or otherwise engage, in any capacity, a person who is sanctioned under clause 8210(1)(ix).

8211. Temporary orders

(1) On application by Enforcement Staff, if a hearing panel is satisfied that the length of time required to conclude a hearing could be prejudicial to the public interest, the hearing panel may, without notice to the respondent, make a temporary order that suspends or restricts a Regulated Person’s rights and privileges and may impose terms and conditions that the hearing panel considers appropriate.

(2) A temporary order that is made without notice under subsection 8211(1) expires 15 days after the date on which it is made, unless:
   (i) a hearing is commenced within that period to confirm or set aside the temporary order,
   (ii) the Regulated Person consents to an extension of the temporary order, or
   (iii) a securities regulatory authority orders otherwise.

(3) The Corporation must immediately give written notice of a temporary order under subsection 8211(1) to every person directly affected by it.

8212. Protective orders

(1) On application by Enforcement Staff, a hearing panel may hold a hearing to consider a request for an order under subsection 8212(4), following notice to the respondent in accordance with subsection 8426(1).

(2) After a hearing under this section with respect to a Dealer Member, a hearing panel may make one or more of the orders set out in subsection 8212(4), if it finds that:
   (i) the Dealer Member or a parent corporation or control person of the Dealer Member has made a general assignment for the benefit of creditors or an authorized assignment or proposal to its creditors, has been declared bankrupt, or is the subject of a winding-up order, an application under the Companies’ Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended, or similar legislation or an application for its liquidation or dissolution,
   (ii) a receiver or receiver-manager has been appointed in respect of all or part of the Dealer Member’s undertaking or property or all or part of the undertaking or property of a parent corporation or control person of the Dealer Member,
(iii) the Dealer Member has tendered its resignation, is not carrying on business as an investment dealer or is in the process of winding up or terminating its business as an investment dealer,

(iv) the Dealer Member’s registration as a dealer under securities laws has lapsed or been suspended or terminated,

(v) a securities regulatory authority, Marketplace, SRO or clearing agency has suspended the Dealer Member’s membership or privileges,

(vi) the Dealer Member has been convicted of contravening a law relating to theft, fraud, misappropriation of funds or securities, forgery, money laundering, market manipulation, insider trading, misrepresentation or unauthorized trading,

(vii) the Dealer Member’s continued operation would create a risk of imminent harm to its clients, investors, other Regulated Persons or the Corporation because the Dealer Member:

   (a) is in financial or operating difficulty, or

   (b) has failed to cooperate in respect of an investigation, or

(viii) the Dealer Member has not complied with terms or conditions of a sanction or a prohibition under Part B of Rule 4100 (early warning level 2) to which it is subject.

(3) After a hearing under this section with respect to a Regulated Person, other than a Dealer Member, a hearing panel may make one or more of the orders set out in subsection 8212(4), if it finds that:

   (i) the person’s registration under securities laws has lapsed or been suspended or terminated,

   (ii) a securities regulatory authority has made an order prohibiting the person from trading in securities, acting as a director or officer of a market participant or as a promoter, or engaging in investor relations activities, or has denied the person the use of an exemption under securities laws,

   (iii) a Marketplace, SRO or clearing agency has suspended the person or the person’s privileges,

   (iv) the person has been convicted of contravening a law relating to theft, fraud, misappropriation of funds or securities, forgery, money laundering, market manipulation, insider trading, misrepresentation or unauthorized trading,

   (v) the person’s continued approval would create a risk of imminent harm to clients, investors, other Regulated Persons or the Corporation because the person has failed to cooperate in respect of an investigation, or

   (vi) the person has not complied with terms or conditions of a sanction to which the person is subject.

(4) After a hearing under this section, a hearing panel may make an order:

   (i) suspending membership, approval or access to a Marketplace on any terms and conditions,
Corporation Investment Dealer and Partially Consolidated Rules

(ii) with terms and conditions, requiring a Dealer Member that is suspended under this section to take steps to facilitate the orderly transfer of its client accounts to another Dealer Member,

(iii) imposing terms and conditions on continued membership, approval or access to a Marketplace,

(iv) direct any or all dealing with clients or any other persons,

(v) expelling a Dealer Member from the Corporation and terminating the rights and privileges of Membership,

(vi) revoking approval or access to a Marketplace, or

(vii) appointing a Monitor over a Dealer Member’s business and affairs.

(5) A person may request, in writing, a review by a hearing panel of a decision made after a hearing under this section, within 30 days after the effective date of the decision.

(6) A hearing shall be held as soon as practicable, and no later than 21 days, after a review is requested under subsection 8212(5), unless the person requesting the review and Enforcement Staff agree otherwise.

(7) A member of a hearing panel whose decision is the subject of a review under this section may not be a member of the hearing panel on the review.

(8) A hearing panel may stay an order made under subsection 8212(4), subject to any terms and conditions it considers appropriate.

(9) On a review under this section, a hearing panel may:

(i) affirm the order,

(ii) quash the decision,

(iii) vary the decision or order, or

(iv) make any order authorized by subsection 8212(4).

8213. Monitor

(1) If a hearing panel appoints a Monitor under section 8209 or section 8212 with respect to the business and affairs of a Dealer Member, the Monitor has authority to supervise and monitor the Dealer Member’s business and affairs in accordance with the terms and conditions imposed by the hearing panel.

(2) A hearing panel may impose any terms and conditions, and any time periods, on a Monitor’s authority with respect to a Dealer Member’s business and affairs that the hearing panel considers appropriate, including authority to:

(i) enter the Dealer Member’s premises and conduct day-to-day monitoring of the Dealer Member’s business activities,

(ii) monitor and review accounts receivable, accounts payable, client accounts, margin, client free credits, banking arrangements and transactions, trading conducted by the Dealer Member for clients and for its own account, payment of debts, creation of new debt and the Dealer Member’s books and records,
(iii) make copies of any records or other documents and provide copies of such records and documents to the Corporation or any other regulatory or self-regulatory authority,
(iv) report the Monitor’s findings or observations, on an ongoing or other basis, to the Corporation or any other regulatory or self-regulatory authority,
(v) monitor the Dealer Member’s compliance with any terms or conditions imposed on the Dealer Member by the Corporation or any other regulatory or self-regulatory authority or by the hearing panel, including compliance with any early warning terms and conditions,
(vi) verify and assist with the preparation of any regulatory filings, including the calculation of risk adjusted capital,
(vii) conduct or have conducted an appraisal of the Dealer Member’s net worth or a valuation of any of the Dealer Member’s assets,
(viii) assist the Dealer Member’s employees in facilitating the orderly transfer of the Dealer Member’s client accounts, and
(ix) pre-authorize cheques issued or payments made by or on behalf of the Dealer Member or distribution of any of the Dealer Member’s assets.

(3) A Dealer Member must cooperate with the Monitor, require its employees, partners, Directors and officers to cooperate with the Monitor and take all reasonable steps to have its affiliates and service providers cooperate with the Monitor with respect to the exercise by the Monitor of its authority under this section.

(4) The Dealer Member must pay all expenses relating to a Monitor appointed to monitor the Dealer Member’s business and affairs, including the Monitor’s fees.

(5) Corporation staff, a Monitor, or a Dealer Member subject to a Monitor may at any time apply to a hearing panel for directions concerning the Monitor’s authority or the conduct of the Monitor’s activities.

(6) On an application under subsection 8213(5), a hearing panel may make any order it considers appropriate.

8214. Costs

(1) After a hearing under Rule 8200, other than a hearing under section 8211, a hearing panel may order a person who is the subject of a sanction to pay any costs incurred by or on behalf of the Corporation in connection with the hearing and any investigation related to the hearing.

(2) Costs ordered under subsection 8214(1) may include:
(i) costs for time spent by Corporation staff,
(ii) fees paid by the Corporation for legal or accounting services or for services rendered by an expert witness,
(iii) witness fees and expenses,
(iv) costs of recording and transcribing evidence and preparation of transcripts, and
(v) disbursements, including travel costs.
8215. **Settlements and settlement hearings**

(1) Enforcement Staff may agree in a settlement agreement to settle a proceeding or proposed proceeding against a Regulated Person at any time prior to the conclusion of a disciplinary hearing.

(2) A settlement agreement must contain:
   - (i) a statement of the contraventions agreed to by the respondent, with references to the relevant Corporation requirements and applicable laws,
   - (ii) the agreed facts,
   - (iii) the sanctions and costs to be imposed on the respondent,
   - (iv) a waiver by the respondent of all rights to any further hearing, appeal and review,
   - (v) a provision that Enforcement Staff will not initiate any further action against the respondent in relation to the matter addressed in the settlement agreement,
   - (vi) a provision that the settlement agreement is conditional on acceptance by a hearing panel,
   - (vii) a provision that the settlement agreement and its terms are confidential, unless and until it has been accepted by a hearing panel,
   - (viii) a provision that the parties will not make any public statement that is inconsistent with the settlement agreement, and
   - (ix) any other provisions not inconsistent with clauses 8215(2)(i) through 8215(2)(viii) that the parties agree to include in the settlement agreement.

(3) Discussions relating to settlement are on a without prejudice basis to Enforcement Staff and any other person participating in the discussions and must not be used as evidence or referred to in any proceeding.

(4) A settlement agreement may impose any obligations on a respondent to which the respondent agrees, whether or not they could be imposed by a hearing panel under Rule 8200.

(5) After a settlement hearing, a hearing panel may accept or reject a settlement agreement.

(6) A settlement agreement becomes effective and binding on the parties to it upon acceptance by a hearing panel.

(7) If a settlement agreement is accepted by a hearing panel, any sanction imposed under it is deemed to have been imposed under Rule 8200.

(8) If a settlement agreement is rejected by a hearing panel,
   - (i) either:
     - (a) the parties may agree to enter another settlement agreement, or
     - (b) Enforcement Staff may proceed to a disciplinary hearing based on the same or related allegations and charges,
   - and
   - (ii) the hearing panel’s reasons for rejecting the settlement agreement must be made available to a hearing panel considering a subsequent settlement agreement based on the
same or related allegations and charges, but must not be made public or referred to in a subsequent disciplinary hearing.

(9) A member of a hearing panel that rejects a settlement agreement may not be a member of a hearing panel that considers a subsequent settlement agreement or conducts a disciplinary hearing based on the same or related allegations.

8216. Failure to pay fine or costs

(1) If a Regulated Person does not pay a fine, costs or other amount ordered to be paid by a hearing panel or required to be paid under a settlement agreement, the Corporation may, seven days after sending written notice, summarily suspend the Membership of the Regulated Person and all rights and privileges of the Regulated Person relating to approval or access to a Marketplace, until the fine, costs or other amount has been paid.

8217. Review by a securities regulatory authority

(1) A party to a proceeding under Rule 8200 may apply to the securities regulatory authority in the relevant District for review of a final decision in the proceeding.

(2) A person who is entitled to request a review of a decision under section 8212 or is the subject of a decision making a temporary order under section 8211 may not apply to a securities regulatory authority for review of the decision, unless the person has requested a review or other hearing by a hearing panel and the hearing panel has made a final decision.

(3) For purposes of subsection 8217(1), Enforcement Staff is directly affected by a decision in a proceeding in which Enforcement Staff is a party.

8218. – 8299. Reserved.
8301. Introduction
   (1) Rule 8300 requires a hearing committee in each District from which hearing panels must be selected for enforcement and other proceedings and sets out the process for appointing and removing members of hearing committees.

8302. Definitions
   (1) The following terms have the meaning set out below when used in Rule 8300:

<table>
<thead>
<tr>
<th>“Appointments Committee”</th>
<th>A committee composed of:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(i) four members of the Governance Committee established by the Board, including its Chair as set out in General By-law No.1, section 12.2,</td>
</tr>
<tr>
<td></td>
<td>(ii) two Non-Independent Directors of the Board as set out in General By-law No.1, section 1.1, and</td>
</tr>
<tr>
<td></td>
<td>(iii) the President of the Corporation as set out in General By-law No. 1, section 1.1.</td>
</tr>
</tbody>
</table>

8303. District Hearing Committees
   (1) A hearing committee must be appointed for each District.
   (2) A member of a hearing committee of a District must reside in the District.
   (3) Two thirds of the members of a hearing committee, to the extent practicable, must be industry members.
   (4) One third of the members of a hearing committee, to the extent practicable, must be public members.
   (5) The chair of a hearing committee must be a public member.

8304. Nominations
   (1) The Corporation must nominate individuals to be public members and industry members of the hearing committee in each District.

8305. Appointment
   (1) The Appointments Committee must appoint to the hearing committee of each District a number of suitable and qualified individuals sufficient to conduct hearings in the District.
   (2) In considering the suitability and qualifications of an individual who is nominated for membership on a hearing committee, the Appointments Committee must take into account the individual’s:
      (i) general knowledge of business practices and securities laws,
      (ii) experience,
      (iii) regulatory background,
      (iv) availability for hearings,
      (v) reputation in the securities industry,
      (vi) ability to conduct hearings in French or English, and
      (vii) eligibility to serve in a particular District.
(3) An individual who:
   (i) is currently or has been within the previous eighteen months an employee of a Member, a Regulated Person, or an affiliate of a Member or Regulated Person,
   (ii) represents any parties to enforcement or other proceedings under Corporation requirements or any person in connection with Corporation requirements, or
   (iii) would otherwise raise a reasonable apprehension of bias with respect to matters that may come before a hearing panel,

   is not eligible for appointment or membership as a public member of a hearing committee.

(4) The Appointments Committee must appoint a chair of each hearing committee.

8306. Term of appointment

(1) Appointment of an individual to a hearing committee is for a three-year term.

(2) A hearing committee member may be reappointed to successive terms.

(3) If a hearing committee member’s term expires without reappointment during a hearing in which the member is serving on the hearing panel, the member’s term is extended automatically until the completion of the hearing or if the hearing is a hearing on the merits, the proceeding.

8307. Removal

(1) The Appointments Committee may remove a hearing committee member who:

   (i) ceases to reside in the hearing committee’s District,
   (ii) is precluded from acting as a hearing committee member by a law applicable in the District,
   (iii) in the Appointments Committee’s opinion, will raise a reasonable apprehension of bias with respect to matters that may come before a hearing panel, or
   (iv) for any other reason, ceases to be suitable or qualified to be a hearing committee member.

(2) An individual who is removed by the Appointments Committee must not continue to serve on a hearing panel in any proceeding.

8308. – 8399. Reserved.
RULE 8400 | RULES OF PRACTICE AND PROCEDURE

8401. Introduction

(1) The Rules of Procedure set out the rules that govern the conduct of the Corporation’s enforcement proceedings and regulatory review hearings to secure fair and efficient proceedings and just determinations.

(2) Rule 8400 is divided into the following parts:
   Part A - General
      [sections 8403 through 8413]
   Part B - Enforcement proceedings
      [sections 8414 through 8429]
   Part C - Regulatory review hearings
      [section 8430]
   Part D - Securities regulatory authority review
      [section 8431]

8402. Definitions

(1) The following terms have the meaning set out when used in Rule 8400:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>“application”</td>
<td>An application that commences a proceeding under Rule 8200 and includes an application for a temporary order or a protective order.</td>
</tr>
<tr>
<td>“commencing notice”</td>
<td>A notice of hearing, notice of application, notice of prehearing conference and notice of request for review.</td>
</tr>
<tr>
<td>“decision”</td>
<td>A determination made by a hearing panel.</td>
</tr>
<tr>
<td>“document”</td>
<td>Includes a record, sound recording, videotape, film, photograph, chart, graph, map, plan, survey, book of account, and information recorded or stored by means of any electronic or other device.</td>
</tr>
<tr>
<td>“electronic hearing”</td>
<td>A hearing held by conference telephone or another form of electronic technology that allows persons to hear one another.</td>
</tr>
<tr>
<td>“file”</td>
<td>A file with the National Hearing Officer in accordance with section 8406.</td>
</tr>
<tr>
<td>“oral hearing”</td>
<td>A hearing at which the parties or their counsel or agents attend before a hearing panel in person.</td>
</tr>
<tr>
<td>“prehearing conference”</td>
<td>A prehearing conference held pursuant to section 8416.</td>
</tr>
<tr>
<td>“regulatory decision”</td>
<td>A decision made under sections 9204, 9206 or 9207 or Part B of Rule 4100.</td>
</tr>
<tr>
<td>“requesting party”</td>
<td>A person who requests a review hearing under sections 8427 or 8430.</td>
</tr>
<tr>
<td>“responding party”</td>
<td>A person responding to a motion or to a request for a review hearing under sections 8427 or 8430.</td>
</tr>
<tr>
<td>“written hearing”</td>
<td>A hearing held by means of an exchange of documents, whether in hard copy or by electronic means.</td>
</tr>
</tbody>
</table>
PART A - GENERAL

8403. General principles

(1) The Rules of Procedure shall be interpreted and applied to secure a fair hearing and just determination of a proceeding on its merits and the most expeditious and least expensive conduct of the proceeding.

(2) No proceeding, document or decision in a proceeding is invalid by reason of a defect or other irregularity in form.

(3) Subject to a requirement in the Rules of Procedure, a hearing panel has authority to control the process of a proceeding before it and may exercise any of its powers on its own initiative or at the request of a party, including:
   (i) issuing procedural directions or orders with respect to the application of the Rules of Procedure in respect of any proceeding,
   (ii) imposing terms or conditions in a direction or order,
   (iii) admitting or requiring presentation of evidence on oath, affirmation or otherwise,
   (iv) waiving or varying any Rule of Procedure in respect of a proceeding,
   (v) requiring parties to file documents electronically, and
   (vi) at the request of a party, making an interim decision or order, including a decision or order that is subject to terms and conditions.

(4) At the request of a party, a hearing panel may provide for any procedural matter that is not provided for in the Corporation requirements or the Rules of Procedure by analogy to the Rules of Procedure or by reference to the rules of practice or procedure of another SRO or professional association or to the rules applicable to a securities regulatory authority.

8404. Time

(1) When computing time under the Rules of Procedure:
   (i) the number of days between two events are counted by excluding the day on which the first event occurs and including the day on which the second event occurs,
   (ii) if a period of less than seven days is prescribed, only business days are to be counted,
   (iii) if the time for doing an act expires on a day that is not a business day, the act may be done on the next business day, and
   (iv) a document that is served or filed after 4 p.m. in the time zone of the recipient is deemed to have been served or filed on the next business day.

(2) A time period prescribed by the Rules of Procedure may be extended or abridged:
   (i) before its expiration, on consent of the parties, or
   (ii) before or after its expiration, by a hearing panel on any terms and conditions the hearing panel considers appropriate.

8405. Appearance and representation

(1) A party in a proceeding may be self-represented or may be represented by counsel or an agent.
(2) A self-represented party must file and keep current during a proceeding the party’s address, telephone number, facsimile number and email address, as applicable.

(3) A person who appears as counsel or agent for a party in a proceeding must file and keep current during the proceeding the person’s address, telephone number, facsimile number and email address, as applicable, and the name and address of the party represented.

(4) A party who is represented by counsel or an agent may:
   (i) change the counsel or agent by serving on the counsel or agent and on every other party, and filing, a notice of change giving the name, address, telephone number, facsimile number and email address of the new counsel or agent, as applicable, or
   (ii) elect to act in person by serving on the counsel or agent and on every other party, and filing, a notice of intention to act in person, giving the party’s address, telephone number, facsimile number and email address, as applicable.

(5) A party who appoints a new counsel or agent in the course of a proceeding must comply with clause 8405(4)(i).

(6) Counsel or an agent for a party may withdraw as counsel or agent by serving on the party and other parties and filing a written notice of withdrawal.

(7) If counsel or an agent for a party seeks to withdraw as counsel or agent less than 30 days prior to the date on which a matter is scheduled to be heard by a hearing panel, the counsel or agent may withdraw only with leave of the hearing panel obtained on a motion.

(8) Where a party is represented by counsel or an agent:
   (i) documents served on the party must be served on the party’s counsel or agent, unless the Rules of Procedure require otherwise,
   (ii) communications with the party must be with the party’s counsel or agent, and
   (iii) the party must address a hearing panel through the party’s counsel or agent.

8406. Service and filing

(1) A document required to be served under the Rules of Procedure must be served on all parties to the proceeding.

(2) A notice of hearing under section 8414, a notice of application under section 8425 or 8426, a notice of request for review from a decision made under Rule 9200 and a decision of a hearing panel on the merits of such a proceeding that is served on an Approved Person must, for information purposes, be sent concurrently to the Dealer Member that employs the Approved Person.

(3) Subject to subsection 8406(4), a document required to be served must be served by one of the following methods:
   (i) personal delivery to the party,
   (ii) delivery to the party’s counsel or agent,
   (iii) delivery to an adult person at the party’s place of residence, employment or business or the place of business of the party’s counsel or agent,
Corporation Investment Dealer and Partially Consolidated Rules

(iv) if the party is a corporation, delivery to an officer, director or agent of the corporation or a person at any place of business of the corporation who appears to be in control or management of the place of business,

(v) if the party is a partnership, delivery to a partner or a person at any place of business of the partnership who appears to be in control or management of the place of business,

(vi) mail or courier to the last known address of the party or the party’s counsel or agent,

(vii) electronic transmission to the facsimile number or e-mail address of the party or the party’s counsel or agent, or

(viii) by any other means authorized by a hearing panel.

(4) A notice of hearing and a notice of application must be served by:

(i) personal delivery to the party,

(ii) registered mail to the party’s last known address,

(iii) delivery to the party’s counsel or agent, with the consent of counsel or the agent,

(iv) any other method set out in subsection 8406(3) to which the party consents, or

(v) any other means authorized by a hearing panel.

(5) Service of a document is deemed to be effective, when delivered no later than 4 p.m. in the time zone of the recipient:

(i) by delivery, on the day of delivery,

(ii) by mail, on the fifth day after mailing,

(iii) electronically, on the day of transmission,

(iv) by courier, on the earlier of the day noted on the delivery receipt or the second day after the day on which it was given to the courier, or

(v) by any other means authorized by a hearing panel, on the day the document is served by the means so authorized.

(6) Service of a document may be proved by an affidavit of the person who served it.

(7) A document required to be filed under the Rules of Procedure must be filed by delivering or sending by mail, courier or facsimile transmission four copies of the document, with proof of service, to the National Hearing Officer at the Corporation’s offices in the District in which the proceeding is conducted.

(8) The National Hearing Officer may:

(i) require more or permit fewer than four copies of a document to be filed, and

(ii) permit or require filing of a document by e-mail, provided that the party also files four printed copies forthwith.

(9) A party who serves or files a document must include with it:

(i) the party’s name, address, telephone number, facsimile number and e-mail address, as applicable, or

(ii) if the party is represented by counsel or an agent, the name, address, telephone number, facsimile number and e-mail address of the party’s counsel or agent,

(iii) the name of the proceeding to which the document relates, and
(iv) the name of each party, counsel or agent served with the document.

(10) Subject to Corporation requirements, a document that is filed must be made available by the National Hearing Officer for public inspection in the office in which the document is filed during the Corporation’s normal business hours, unless confidentiality is requested and a hearing panel applying the standard in clause 8203(5)(iii) or 8203(5)(iv) orders otherwise.

8407. National Hearing Officer

(1) The National Hearing Officer administers all proceedings brought pursuant to the Rules of Procedure, including:

(i) the selection of members of hearing panels,
(ii) scheduling and arranging hearings and prehearing conferences,
(iii) care, custody and distribution to members of hearing panels of filed documents,
(iv) maintaining a hearing record, including original exhibits,
(v) dating and distributing written hearing panel decisions and reasons to parties to a proceeding,
(vi) issuing and serving a notice or summons to attend and testify or produce documents, where so authorized by a decision of a hearing panel, and
(vii) any other administrative functions that are reasonably necessary for the efficient conduct of a proceeding.

(2) The National Hearing Officer acts as liaison between members of a hearing panel and parties to a proceeding and, other than in the course of an oral hearing or electronic hearing, a party must communicate to a hearing panel through the National Hearing Officer and serve all other parties with the communication.

(3) The National Hearing Officer may seek the advice of the chair of a hearing committee with respect to legal, administrative or procedural issues.

(4) The National Hearing Officer, after consultation with the chairs of the hearing committees in all Districts, may publish on the Corporation’s website guidelines concerning practices to be followed under the Rules of Procedure.

(5) The National Hearing Officer may prescribe the form and format of documents and forms that are required to be filed under the Rules of Procedure.

(6) The National Hearing Officer may designate individuals to perform the functions for which the National Hearing Officer is responsible under the Rules of Procedure.

8408. Hearing panels

(1) The National Hearing Officer is responsible for the selection of members of a hearing panel from members of a hearing committee.

(2) In connection with the selection of a hearing panel, the National Hearing Officer may consult with or seek the advice of the chair of a hearing committee.

(3) For a hearing under sections 8209, 8210, 8215 or Rule 9300, the National Hearing Officer must, subject to subsections 8408(4) and 8408(6), select two industry members and one public member from the hearing committee of the applicable District as members of the hearing panel.
(4) If the chairs of both hearing committees consent, the National Hearing Officer may select a member of a hearing committee in one District to serve on a hearing panel in another District, but a hearing panel that considers a matter that relates to conduct in Québec must have a majority of members who reside in Québec.

(5) The National Hearing Officer must appoint a public member as the chair of a hearing panel, and if the matter relates to conduct in Québec, the chair must be a public member of the hearing committee in the Québec District.

(6) The National Hearing Officer may appoint a one-member hearing panel consisting of a public member of a hearing committee in a proceeding under section 8211 or section 8212, a motion or prehearing conference, or to act as case manager of a proceeding.

(7) The National Hearing Officer must not select an individual to be a member of a hearing panel, if the individual:

   (i) is an officer, partner, director, employee or associate of, or is providing services to, a party or if a party is an affiliate, associate or employee of another person with whom the individual is in such a relationship,

   (ii) has or had another relationship to a party or matter that may create a reasonable apprehension of bias,

   (iii) is precluded from acting as a member of the hearing panel by Corporation requirements, any law applicable in the District in which the hearing is held or by the recognition order or registration under securities laws of a Marketplace whose rules are the subject of the hearing, or

   (iv) was consulted by or advised the National Hearing Officer in connection with the selection of the hearing panel.

(8) The National Hearing Officer may not select an individual who is a member of a hearing panel in a proceeding under sections 8211 or 8212 as a member of a hearing panel on a subsequent hearing relating to the same matter, including a motion for a stay of a sanction imposed under section 8212, unless all parties consent to the selection of the member.

(9) The National Hearing Officer may not select a member of a hearing panel who participates in a prehearing conference or who case manages a proceeding to be a member of the hearing panel on the merits, unless all parties consent to the selection of the member.

(10) If a member of a hearing panel becomes unable to continue to serve as a member of the hearing panel for any reason, the remaining members may continue to hear the matter and render a decision, but only with the consent of all parties, and if neither of the remaining members is the chair, the hearing panel may retain its own legal counsel to advise it on legal and procedural issues, but not on the merits of the proceeding.

(11) A decision of a hearing panel must be made by a majority of its members, and if the hearing panel consists of two members, must be unanimous.

8409. Form of hearings

(1) Subject to subsections 8409(2) through 8409(9), a hearing panel may conduct a hearing as an oral hearing, electronic hearing or written hearing.
Subject to subsections 8409(3) through 8409(9), a written hearing may be held only for:

(i) a motion relating to procedural issues,
(ii) a hearing on agreed facts, and
(iii) any other motion or hearing that a hearing panel considers appropriate.

In determining whether to hold a hearing as an oral hearing, electronic hearing or written hearing, a hearing panel may consider any relevant factors, including:

(i) the nature of the hearing, the subject matter of the hearing, and the issues to be addressed, including whether they are issues of fact, law or procedure,
(ii) the evidence to be presented, including whether facts are in dispute and credibility is an issue,
(iii) the cost, efficiency and timeliness of the hearing or the proceeding,
(iv) the fairness of the hearing process to, and the convenience of, each of the parties, and
(v) accessibility to the public.

A party may request an electronic hearing or written hearing in a commencing notice.

If an electronic hearing or written hearing is requested:

(i) in a notice of hearing, a party may object to the requested form of hearing in the party’s response or by bringing a motion,
(ii) in a commencing notice other than a notice of hearing, a party may object to the requested form of hearing by serving and filing a notice of objection within three days after the commencing notice is served on the party.

A notice of objection must state the reasons for the objection, including any prejudice the requested form of hearing may cause the party and the facts on which the party relies and may be accompanied by any evidence on which the party relies for the objection.

A hearing panel that receives a notice of objection may:

(i) accept the objection and refer the matter to the National Hearing Officer to set a date for an oral hearing or, with the consent of all parties, set a date for an electronic hearing or schedule for a written hearing,
(ii) reject the objection, or
(iii) order a written hearing to consider the objection and provide other parties an opportunity to respond to the notice of objection in a manner and time that the hearing panel directs.

If a notice of objection is filed, the hearing panel must render its decision on the form of hearing in writing as expeditiously as possible, taking into consideration the date and nature of the hearing and proceeding and the needs of the parties to present evidence and prepare and serve submissions and responding submissions.

Unless a party objects, a hearing panel may, on its own motion, at any stage of a proceeding make an order continuing:

(i) an electronic hearing or written hearing as an oral hearing,
(ii) an oral hearing or a written hearing as an electronic hearing, and
(iii) an oral hearing or an electronic hearing, as a written hearing.
A hearing *panel* that orders an *electronic hearing* may require one or more of the *parties*

(i) to make the arrangements for the *hearing*, and

(ii) to pay all or part of the costs of conducting the *hearing* as an *electronic hearing*.

**8410. Hearing panel decisions**

(1) A decision of a *hearing panel* and the reasons for the *decision* must be dated by the *National Hearing Officer* and served on each *party* in accordance with subsection 8406(3).

(2) The *Corporation* must publish on its website a summary of the *decision of a hearing panel*, except a *decision in a prehearing conference*, containing:

(i) *Corporation requirements or applicable laws* that have been contravened,

(ii) the essential facts,

(iii) the *decision*, including any *sanction* and costs, and

(iv) except where the *decision* rejects a *settlement agreement*, a statement that a copy of the *decision* may be obtained on the *Corporation’s website*.

(3) The *Corporation* must publish on its website a *decision of a hearing panel* and the reasons for the *decision*, except a *decision* and reasons rejecting a *settlement agreement*.

(4) A decision made by a *hearing panel* on the merits of a proceeding must be recorded in the record maintained by the *Corporation* with respect to the *respondent*.

(5) In addition to a *decision* accepting a *settlement agreement* and the reasons for it, the *Corporation* must publish and record information concerning the accepted *settlement agreement* in accordance with subsections 8410(2) through 8410(4), as if the *settlement agreement* were a *decision* on the merits.

**8411. Language of hearings and interpreters**

(1) A hearing may be conducted in English or French or partly in English or French.

(2) A *hearing* in a *District* other than Québec must be conducted in English, unless the *parties*, with the consent of a *hearing panel*, agree that it be conducted in French.

(3) A hearing in Québec must be conducted in French, unless the *parties*, with the consent of a *hearing panel*, agree that it be conducted in English.

(4) A party who wishes a *hearing* to be conducted in French, or in Québec in English, must *file* a request with the *National Hearing Officer* as soon as possible after the proceeding is commenced.

(5) A *party* who requires an interpreter for a language other than the language in which a *hearing* is to be conducted, whether to assist the *party* or for the testimony of a witness to be called by the *party*, must notify the *National Hearing Officer* at least 30 days before the commencement of the *hearing*.

(6) An interpreter must be competent and independent and must swear or affirm to interpret accurately.

**8412. Commencement and abandonment of proceedings**

(1) A proceeding, and a step in a proceeding that requires a notice, is commenced upon the issuance by the *National Hearing Officer* of a *commencing notice* at the request of a *party*. 
A party who requests the issuance of a commencing notice must first obtain a date from the National Hearing Officer for:

(i) if the commencing notice is a notice of hearing, an initial appearance before a hearing panel,
(ii) if the commencing notice is a notice of application, the hearing of the application,
(iii) if the commencing notice is a notice of motion, the hearing of the motion,
(iv) if the commencing notice is a notice of prehearing conference, the prehearing conference, or
(v) if the commencing notice is a notice of request for review pursuant to sections 8427 or 8430, the review hearing,

and must submit a copy of the commencing notice to the National Hearing Officer with a request that it be issued.

A request under subsection 8412(2) to the National Hearing Officer for a date or the issuance of a commencing notice must be made on a form prescribed by the National Hearing Officer.

If a hearing panel sets a date for a prehearing conference, or other hearing other than in connection with a commencing notice, the National Hearing Officer must give written notice of the date to the parties by mail or electronic transmission in accordance with clause 8406(3)(vi) or 8406(3)(vii).

Upon issuing a commencing notice or other notice of a hearing, the National Hearing Officer must place a copy of the commencing notice or other notice in a file maintained for the proceeding.

The Corporation must publish on its website an announcement of and copy of a commencing notice or other notice as soon as practicable after it is issued by the National Hearing Officer, unless the commencing notice is for an application under section 8211 made without notice to the respondent or is a notice of prehearing conference.

A party who initiates a proceeding or a step in a proceeding that requires a notice may abandon the proceeding or step before it has been decided by a hearing panel by serving and filing a notice of abandonment.

If a proceeding or a step in a proceeding is abandoned, the Corporation must publish on its website an announcement of and a copy of the notice of abandonment as soon as practicable after it is filed, unless the commencing notice for the proceeding or step has not been so published.

8413. Motions

A motion must be commenced by a notice of motion.

A motion may be brought:

(i) with the consent of a hearing panel, prior to, or
(ii) at any time after,

the commencement of a proceeding.

A party who brings a motion must serve and file a motion record at least 14 days prior to the date of the motion, unless the motion is brought during a hearing, in which case the hearing panel may determine the procedure to be followed for the motion.
A hearing panel may permit a party to bring a motion without notice to the respondent, if the nature of the motion or the circumstances make service of a notice of motion impractical.

A notice of motion must contain:
(i) the date, time and location of the hearing of the motion,
(ii) the relief sought,
(iii) a summary of the grounds for the relief sought, including reference to any Corporation requirements or applicable laws,
(iv) a list of evidence and other materials to be relied on, and
(v) whether it is proposed that the motion be heard as an oral hearing, electronic hearing or written hearing.

A motion record must contain:
(i) the notice of motion, and
(ii) copies of the evidence, including affidavits and other materials relied on.

A responding party may serve and file a responding record at least nine days prior to the date of the motion, unless the motion is brought during a hearing and the hearing panel orders otherwise.

A responding record must contain:
(i) the order requested by the responding party, including a statement of the reasons for the order requested, and
(ii) copies of any additional evidence, including affidavits and other materials relied on.

A party who is served with a responding record that contains affidavit evidence may serve and file a reply record containing additional affidavit evidence at least seven days before the date of the motion.

A party who files an affidavit in connection with a motion must make the person who swears to an affidavit reasonably available to be cross-examined by an adverse party prior to the hearing of the motion.

A party who brings a motion may serve and file a memorandum of fact and law at least five days before the date of the motion.

A responding party may serve and file a memorandum of fact and law at least two days before the date of the motion.

A motion must be heard by a hearing panel.

A hearing panel may, on any terms and conditions it considers appropriate, permit oral testimony to be adduced at the hearing of a motion on any matter in issue and allow cross-examination of the person who swears to an affidavit.

A hearing panel may:
(i) grant the relief requested in a motion,
(ii) dismiss or adjourn the motion in whole or in part, with or without terms, or
(iii) make another decision it considers appropriate, including adjourning the motion to be heard by the hearing panel that hears the proceeding on its merits.
PART B - ENFORCEMENT PROCEEDINGS

8414. Commencement of disciplinary proceedings

(1) Forthwith after a proceeding pursuant to section 8209 or 8210 is commenced, Enforcement Staff must serve the respondent with, and file, the notice of hearing and a statement of allegations.

(2) A notice of hearing must contain:
   (i) the date, time and location of an initial appearance before a hearing panel,
   (ii) a statement of the purpose of the proceeding,
   (iii) a statement that the allegations on which the proceeding is based are contained in the statement of allegations,
   (iv) a reference to Corporation requirements under which the proceeding is brought,
   (v) the nature of the sanctions that may be imposed,
   (vi) if the notice of hearing states that the hearing is to be an electronic hearing or written hearing, a statement that the respondent may object to the type of hearing and the procedure to be followed for an objection,
   (vii) a statement that the respondent must provide a response to the notice of hearing in accordance with section 8415, the time within which a response must be served and filed and the consequences of failing to do so,
   (viii) a statement that the initial appearance will be followed immediately by an initial prehearing conference, for which a prehearing conference form must be filed in accordance with subsection 8416(5), and
   (ix) any other information that Enforcement Staff considers advisable.

(3) A statement of allegations may accompany or comprise part of a notice of hearing and must contain:
   (i) a reference to Corporation requirements or applicable laws that the respondent is alleged to have contravened,
   (ii) the facts alleged in support of the alleged contraventions, and
   (iii) the conclusions of Enforcement Staff based on the alleged facts.

(4) The date of an initial appearance set out in a notice of hearing must not be less than 45 days after the notice of hearing is served, unless the respondent consents to an earlier date.

8415. Response to a notice of hearing

(1) A respondent must serve and file a response within 30 days from the date of service of a notice of hearing.

(2) A response must contain a statement of:
   (i) the facts alleged in the statement of allegations that the respondent admits,
   (ii) the facts alleged that the respondent denies and the grounds for the denial, and
   (iii) all other facts on which the respondent relies.

(3) A hearing panel may accept as proven any facts alleged in a statement of allegations that are not specifically denied or for which grounds for the denial are not provided in a response.
(4) If a respondent who has been served with a notice of hearing does not serve and file a response in accordance with subsection 8415(1), the hearing panel may proceed with the hearing of the matter on its merits on the date of the initial appearance set out in the notice of hearing, without further notice to and in the absence of the respondent, and the hearing panel may accept as proven the facts and contraventions alleged in the statement of allegations and may impose sanctions and costs pursuant to section 8209 or 8210, as applicable.

8416. Prehearing conferences

(1) At any time prior to commencement of the hearing of a proceeding on the merits:
   (i) a hearing panel may order a prehearing conference, or
   (ii) a party may request a prehearing conference by serving and filing a notice of prehearing conference at least 14 days before the date of the prehearing conference.

(2) A notice of prehearing conference must contain:
   (i) the date, time, location and purpose of the prehearing conference,
   (ii) any order of a hearing panel concerning the obligations of the parties with respect to the prehearing conference, including:
      (a) any requirement concerning the exchange or filing of documents or submissions pursuant to subsection 8416(7), and if so the issues to be addressed and the date by which the documents or submissions must be exchanged and filed,
      (b) whether the parties must attend in person,
   (iii) a statement that the parties may be represented by counsel or an agent who, if a party is not required to attend, must have authority to make agreements and undertakings on the party’s behalf,
   (iv) whether it is proposed that the prehearing conference is to be heard orally, electronically or in writing,
   (v) a statement that if a party does not attend in person or by counsel or an agent, the hearing panel may proceed with the prehearing conference in the party’s absence, and
   (vi) a statement that any orders made by the hearing panel will be binding on the parties.

(3) If a hearing panel orders a prehearing conference, the National Hearing Officer must set a date for the prehearing conference, if necessary, and serve a notice of prehearing conference on the parties with a copy of the decision of the hearing panel.

(4) If a respondent has served and filed a response in accordance with subsection 8415(1), the initial appearance provided in a notice of hearing must be followed immediately by an initial prehearing conference, for which no notice of prehearing conference is required.

(5) If a response has been served and filed, the parties must serve and file a prehearing conference form, in a form prescribed by the National Hearing Officer, at least five days before the date of the initial appearance specified in the notice of hearing.

(6) At a prehearing conference, a hearing panel may consider any issue that may assist in a just and expeditious resolution of the proceeding, including:
   (i) identification, simplification and clarification of the issues,
(ii) disclosure of documents, including expert reports,
(iii) facts or evidence on which the parties agree,
(iv) admissibility of evidence, including evidence to be admitted on consent and identification of objections,
(v) scheduling of motions,
(vi) procedural issues, including identifying and setting dates by which steps in the proceeding are to be commenced or taken, the estimated duration of a hearing and the dates on which the hearing will commence and be conducted,
(vii) settlement of any or all issues in the proceeding, and
(viii) any other procedural or substantive matters.

(7) A hearing panel at a prehearing conference may:
   (i) set a timetable for steps preceding a hearing and for the hearing,
   (ii) schedule further prehearing conferences, preliminary motions and the hearing of the proceeding on its merits,
   (iii) amend an existing schedule or timetable,
   (iv) set the issues to be addressed at a further prehearing conference or in a motion,
   (v) order the parties to exchange or file by a specified date documents or submissions for purposes of a further prehearing conference or a motion,
   (vi) order that the proceeding be case managed by the hearing panel or another hearing panel to be selected by the National Hearing Officer, with or without the consent of the parties,
   (vii) exercise the authority conferred by section 8208 to require a person to attend and give evidence or produce documents at a hearing, and
   (viii) with the consent of the parties, make an order resolving any matter, including matters relating to:
      (a) facts or evidence agreed on,
      (b) disclosure of documents or evidence,
      (c) the resolution of any or all of the issues in the proceeding, and
   (ix) make any other procedural order that the hearing panel believes will further the just and expeditious conduct of the proceeding.

(8) A hearing panel that case manages a proceeding must preside over all prehearing conferences and preliminary motions in the proceeding, unless the hearing panel orders otherwise.

(9) An order, agreement or undertaking that is made or given at a prehearing conference must be recorded in a prehearing memorandum that is:
   (i) prepared by or under the direction of the hearing panel taking into account the principles in subsections 8416(12) and 8416(13),
   (ii) circulated to the parties for comment,
   (iii) approved and signed by the hearing panel, and
   (iv) distributed to the parties and any other person that the hearing panel directs.
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(10) A prehearing memorandum must be filed and provided to the hearing panel at subsequent hearings in the proceeding.

(11) An order, agreement or undertaking recorded in a prehearing memorandum is binding on the parties, unless a hearing panel orders otherwise.

(12) Unless recorded in a prehearing memorandum, all statements and written submissions made at a prehearing conference are without prejudice and must not be communicated to a hearing panel, except at a subsequent prehearing conference.

(13) A prehearing conference must be held in the absence of the public, and subject to subsections 8416(9) and 8416(10), prehearing documents, exhibits, submissions and transcripts must not be disclosed to the public.

(14) A prehearing agreement to settle all of the issues in a proceeding is subject to approval by another hearing panel pursuant to section 8215.

8417. Disclosure

(1) As soon as is reasonably practicable after a response is served and filed, and if requested by the respondent, Enforcement Staff must disclose to and make available for inspection by a respondent all documents and things in the Corporation’s possession or control that are relevant to the proceeding, including documents and things that are relevant to the respondent’s ability to make full answer and defence.

(2) Enforcement Staff must provide copies to, in hard copy or electronic form, or permit a respondent to make copies of all documents and things specified in subsection 8417(1) as soon as is reasonably practicable after it makes disclosure and no later than 40 days before the commencement of the hearing on the merits.

(3) As soon as is reasonably practicable after a response is served and filed, and no later than 40 days before the commencement of the hearing on the merits, each party to a proceeding must serve every other party with:
   (i) all documents that the party intends to produce or enter as evidence at the hearing on the merits, and
   (ii) a list of items, other than documents, that the party intends to produce or enter as evidence at the hearing on the merits.

(4) At any stage of a proceeding, a hearing panel may order a party to provide to another party any document or other information that the hearing panel considers appropriate, within a time period and on terms and conditions determined by the hearing panel.

(5) A party who does not disclose a document or thing in compliance with subsections 8417(3) and 8417(4) may not introduce in evidence or refer to the document or thing at a hearing on the merits without leave of the hearing panel on terms and conditions the hearing panel considers just.

8418. Witness lists and statements

(1) Subject to section 8417, as soon as reasonably practicable after a response is served and filed, and no later than 30 days before the commencement of the hearing on the merits, Enforcement Staff must serve:
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(i) a list of the witnesses *Enforcement Staff* intends to call to testify at the *hearing*, and

(ii) in respect of each witness named on the list, a summary of the evidence the witness is expected to give at the *hearing*, a witness statement signed by the witness or a transcript of a recorded statement of the witness.

(2) Subject to section 8417, as soon as reasonably practicable after a response is served and *filed*, and no later than 20 days before the commencement of the *hearing* on the merits, a *respondent* must serve:

(i) a list of the witnesses, not including the *respondent*, whom the *respondent* intends to call to testify at the *hearing*, and

(ii) in respect of each witness named on the list, a summary of the evidence the witness is expected to give at the *hearing*, a witness statement signed by the witness or a transcript of a recorded statement of the witness, unless the transcript was disclosed by *Enforcement Staff* pursuant to section 8417 or subsection 8418(1).

(3) A summary of expected evidence, witness statement or transcript served in accordance with subsection 8418(1) or 8418(2) must contain:

(i) the substance of the evidence of the witness,

(ii) a reference to any *document* the witness will refer to, and

(iii) the name, address and telephone number of the witness or of a *person* through whom the witness can be contacted.

(4) A *party* who does not include a *person* in a witness list or disclose the *person’s* expected evidence in accordance with subsections 8418(1) through 8418(3) may not call the *person* as a witness at the *hearing* without leave of the *hearing panel* on terms and conditions the *hearing panel* considers just.

(5) A witness may not testify to matters not disclosed in accordance with subsection 8418(3) without leave of the *hearing panel* on terms and conditions the *hearing panel* considers just.

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**8419. Expert witnesses**

(1) A *party* who intends to call an expert witness at a *hearing* must, at least 45 days before the commencement of the *hearing*, serve a written report signed by the expert.

(2) A party who intends to call an expert witness in response to an expert’s report served pursuant to subsection 8419(1) must, at least 20 days before the commencement of the *hearing*, serve a written report signed by the expert.

(3) A *party* who intends to call expert evidence to reply to a responding expert’s report served pursuant to subsection 8419(2) must, at least 10 days before the commencement of the *hearing*, serve a written report in reply signed by the expert.

(4) An expert’s report must contain:

(i) the name, address and qualifications of the expert,

(ii) the substance of the expert’s evidence, and

(iii) a reference to any *document* the expert will refer to.
(5) A party who does not comply with subsection 8419(1), 8419(2) or 8419(4) may not call the expert as a witness or introduce in evidence or refer to the expert’s report or opinion at a hearing, without leave of the hearing panel on terms and conditions the hearing panel considers just.

(6) If the party who calls an expert witness has not complied with subsection 8419(3), the expert witness may not testify to matters for which an expert’s report in reply was required, without leave of the hearing panel on terms and conditions the hearing panel considers just.

8420. Deemed undertaking

(1) In this section, “information” means evidence and information obtained from a party that is required to be disclosed or provided pursuant to sections 8416, 8417, 8418 and 8419 prior to a hearing on the merits, including evidence and information disclosed or provided in a prehearing conference, and any information obtained from such evidence or information.

(2) This section does not apply to information obtained otherwise than under section 8416, 8417, 8418 or 8419 or in a prehearing conference.

(3) A party and its counsel or agent are deemed to undertake not to disclose or use information for any purposes other than those of the proceeding in which the information was obtained, without the consent of the party who disclosed or provided the information or information on the basis of which the information was obtained.

(4) Subsection 8420(3) does not prohibit use of information that is:
   (i) filed with the National Hearing Officer,
   (ii) given or referred to during a hearing, or
   (iii) obtained from information referred to in clauses 8420(4)(i) and 8420(4)(ii).

(5) Notwithstanding subsection 8420(3), information may be used to impeach the testimony of a witness in another proceeding.

(6) A hearing panel may permit the use of information that is subject to this section for purposes other than those of the proceeding in which it was disclosed or provided, if the hearing panel is satisfied that the public interest outweighs any prejudice that would result to the party who disclosed the information or the person from whom it was obtained by that party, subject to any terms and conditions the hearing panel considers just.

8421. Order to attend and issue of summons

(1) At any stage of a proceeding, a party may request a hearing panel to exercise its authority under section 8208 to require a person to attend and give evidence or produce documents at a hearing.

(2) If a hearing panel orders a person who is subject to the Corporation’s contractual jurisdiction to attend and give evidence or produce documents, the National Hearing Officer must serve a notice, in a prescribed form, by personal service in accordance with clause 8406(3)(i), 8406(3)(iv) or 8406(3)(v), requiring the attendance of the person to give evidence or produce documents, as ordered by the hearing panel.

(3) If a hearing panel orders an employee, partner, director or officer of a Regulated Person, who is not an Approved Person, to attend at a hearing, the National Hearing Officer must serve a notice on the person in accordance with subsection 8421(2) and on the Regulated Person requiring the Regulated Person to direct the person to comply with the order.
If a hearing panel orders a person who is not subject to the Corporation’s contractual jurisdiction to attend and give evidence or produce documents in a District in which the hearing panel is authorized by law to do so, the National Hearing Officer must serve a summons or subpoena in accordance with the procedure prescribed by law for the issue of a summons or subpoena by a court, regulatory tribunal or analogous decision maker in the District.

8422. Adjournments

(1) A party who decides to request an adjournment of a hearing on the merits must immediately so advise the other parties and the National Hearing Officer in writing.

(2) If the other parties consent to the request for an adjournment, the requesting party may serve and file a written request for the adjournment stating that it is made on consent, and a hearing panel may:
   (i) refuse the request,
   (ii) reschedule the hearing without a hearing on the request, or
   (iii) require a hearing on the request.

(3) If the parties do not consent to a request for an adjournment, the requesting party must bring a motion as soon as possible and the notice of motion must contain:
   (i) the reasons for the adjournment,
   (ii) the length of time requested for the adjournment, and
   (iii) if the motion is brought fewer than 40 days before the date of the hearing, a request for an abridgement of the times specified in section 8413, if necessary.

(4) If a motion requesting an adjournment cannot be heard at least 20 days before the date for the commencement of the hearing and the parties do not consent, the motion must be heard at the commencement of the hearing and the requesting party must be prepared to proceed if the motion is denied.

(5) A hearing panel may grant or deny an adjournment on any terms and conditions it considers just.

8423. Conduct of hearing on the merits

(1) At a hearing on the merits a respondent is entitled to be represented by counsel or an agent and to make submissions.

(2) At a hearing on the merits, other than a written hearing, a respondent is entitled:
   (i) to attend and be heard in person,
   (ii) to call and examine witnesses and present documentary and other evidence, and
   (iii) to cross-examine witnesses as reasonably required for a full and fair disclosure of all matters relevant to the issues in the proceeding.

(3) A hearing on the merits, other than a written hearing, must be conducted in the following order:
   (i) Enforcement Staff may make an opening address, which may be followed by an opening address by the respondent,
   (ii) Enforcement Staff must present its evidence and examine its witnesses, who may be cross-examined by the respondent,
(iii) the respondent may make an opening address and must present its evidence and examine its witnesses, who may be cross-examined by other parties,

(iv) Enforcement Staff may present evidence in reply to any evidence presented for the first time by the respondent and examine witnesses, who may be cross-examined by the respondent,

(v) if the hearing panel requests or permits, the parties may serve and file, by dates ordered by the hearing panel, submissions in writing on the facts and legal argument with respect to the contraventions alleged in the notice of hearing, which submissions must not be made public prior to the commencement of the hearing of the submissions, and, if necessary, the National Hearing Officer must set a date for the hearing of such submissions,

(vi) Enforcement Staff may make closing submissions, followed by the respondent’s closing submissions and Enforcement Staff’s reply to issues raised by the respondent,

(vii) unless the parties agree otherwise, after the hearing panel makes its decision on the merits of the allegations in the notice of hearing, the National Hearing Officer must set a date for the presentation of additional evidence, if any, and the hearing of submissions on sanctions and costs, and

(viii) the hearing panel may request or permit the parties to serve and file written submissions on sanctions and costs, which submissions must not be made public prior to the commencement of the sanctions hearing.

(4) After cross-examination of a witness, the party who called the witness may further examine the witness with respect to matters raised for the first time in cross-examination.

(5) Following examination and cross-examination of a witness, a hearing panel may ask questions of the witness, subject to the right of the parties to ask further questions with respect to matters raised by the hearing panel.

(6) If two or more respondents are separately represented, the hearing panel may direct the order of presentation.

(7) A hearing panel may control the scope and manner of questioning of a witness to protect the witness from undue harassment.

(8) A hearing panel may order a witness to be excluded from a hearing until the witness is called to give evidence, unless the presence of the witness is necessary to instruct a party’s counsel or agent, in which case the hearing panel may require the witness to be called to give evidence before other witnesses are called.

(9) If a hearing panel orders the exclusion of a witness, evidence given during the witness’s absence from the hearing must not be communicated to the witness until the witness has completed giving evidence, except with leave of the hearing panel.

(10) A hearing panel may permit a party to present the evidence of a witness or proof of a particular fact or document by affidavit, unless another party reasonably requires the attendance of the witness at the hearing for cross-examination.

(11) If a hearing panel requests or permits the parties to make written submissions on sanctions and costs, unless the hearing panel orders otherwise:
(i) the date set for the sanctions hearing must be at least 30 days after the date of the decision on the merits,

(ii) Enforcement Staff must serve and file submissions at least 14 days before the sanctions hearing,

(iii) the respondent must serve and file submissions at least seven days before the sanctions hearing, and

(iv) Enforcement Staff must serve and file any reply submissions at least three days before the sanctions hearing.

(12) If a respondent who has been served with a notice of hearing does not attend the hearing on the merits, the hearing panel:

(i) may proceed with the hearing in the respondent’s absence and may accept as proven the facts and contraventions alleged in the notice of hearing and statement of allegations, and

(ii) if it finds that the respondent committed the alleged contraventions, may hear submissions on sanctions from Enforcement Staff immediately, without a further hearing on sanctions and costs, and may impose sanctions and costs pursuant to sections 8209 or 8210, as it considers appropriate.

8424. Written hearings

(1) If a hearing is a written hearing, the party who serves a commencing notice must, with the motion or other record required by the Rules of Procedure or within a time directed by a hearing panel, serve and file the party’s written submissions containing, as applicable:

(i) a statement of agreed facts,

(ii) the party’s factual and legal submissions, and

(iii) any material ordered by the hearing panel.

(2) A respondent or responding party may respond, within the time provided in subsection 8413(7) or in a decision of a hearing panel, by serving and filing a responding motion record, if applicable, and the party’s factual and legal submissions.

(3) A party may reply to a response served pursuant to subsection 8424(2), within the time provided in subsection 8413(9) or in a decision of a hearing panel, by serving and filing a reply record, if applicable, and the party’s factual and legal submissions.

(4) A hearing panel may:

(i) require a party to serve and file additional information,

(ii) on request of a party, order that a party present a witness to be examined or cross-examined on any terms and conditions the hearing panel directs, and

(iii) after considering the record, order that the hearing be continued as an oral hearing or electronic hearing.

8425. Temporary orders

(1) Where a proceeding pursuant to section 8211 is commenced, Enforcement Staff must file a notice of application and application record at least five days prior to the date of the hearing or a shorter period permitted by a hearing panel.
(2) An application under subsection 8425(1) may be made with or without notice to the respondent.

(3) A notice of application must contain:
   (i) the date, time and location of the hearing,
   (ii) whether notice has been given to the respondent,
   (iii) a statement of the purpose of the proceeding,
   (iv) the sanctions requested by Enforcement Staff,
   (v) the grounds for the application, including a reference to any Corporation requirements or applicable laws that the respondent is alleged to have contravened,
   (vi) a statement of the facts alleged that support the alleged contraventions and the need for a temporary order,
   (vii) a list of documentary and other evidence relied on,
   (viii) whether it is proposed that the application be heard as an oral hearing, electronic hearing or written hearing, and
   (ix) any other information that Enforcement Staff considers advisable.

(4) An application record must contain:
   (i) the notice of application, and
   (ii) copies of the evidence, including affidavit and other materials relied on.

(5) If an application under subsection 8425(1) is made with notice, Enforcement Staff must serve the respondent with the application record before it is filed and the respondent may serve and file a responding record at least two days prior to the date of the hearing.

(6) A responding record must contain:
   (i) the order requested by the respondent, including a statement of the reasons for the order requested, and
   (ii) copies of any additional evidence, including affidavits and other materials relied on.

(7) A party to an application under subsection 8425(1) may serve, if notice is given, and file a memorandum of fact and law prior to the hearing of the application.

(8) A hearing panel may, at any time, on any terms or conditions it considers appropriate, require oral testimony to be adduced at the hearing on any matter in issue and allow cross-examination on an affidavit.

(9) A hearing panel may:
   (i) grant the temporary order requested,
   (ii) dismiss or adjourn the application in whole or in part, with or without terms, and
   (iii) make another decision it considers appropriate.

(10) If an application under subsection 8425(1) is made on notice, the decision and reasons of the hearing panel constitute the notice required by subsection 8211(3).

(11) If an application under subsection 8425(1) is made without notice, a notice of a temporary order pursuant to subsection 8211(3) must contain:
   (i) a statement that a temporary order has been made with respect to the respondent, describing the terms of the temporary order,
(ii) the grounds on which the temporary order was requested and a reference to the notice of application containing them, and
(iii) a summary of subsection 8211(2) and the date, time and location of a hearing pursuant to clause 8211(2)(i).

(12) A notice of a temporary order under subsection 8425(11) must be accompanied by:
   (i) a copy of the decision or order and reasons of the hearing panel,
   (ii) a copy of the notice of application and application record filed by Enforcement Staff,
   (iii) a summary of any oral evidence received by the hearing panel or a transcript of the hearing,
   (iv) copies of any documentary or other evidence received by the hearing panel that is not contained in the application record, and
   (v) any written submissions presented to the hearing panel.

(13) A hearing to extend a temporary order must follow the procedure in section 8413 for a motion.

8426. Protective orders

(1) Where a proceeding pursuant to section 8212 is commenced, Enforcement Staff must serve the respondent with, and file, a notice of application and application record at least five days prior to the date of the hearing or a shorter period permitted by a hearing panel.

(2) A notice of application must contain:
   (i) the date, time and location of the hearing,
   (ii) a statement of the purpose of the proceeding,
   (iii) the order requested by Enforcement Staff,
   (iv) the grounds for the application, including a reference to any Corporation requirements or applicable laws that the respondent is alleged to have contravened,
   (v) a statement of the facts alleged that support the alleged contraventions, the need for a protective order and the order sought,
   (vi) a list of documentary and other evidence relied on,
   (vii) whether it is proposed that the application be heard as an oral hearing, electronic hearing or written hearing, and
   (viii) any other information that Enforcement Staff considers advisable.

(3) An application record must contain:
   (i) the notice of application, and
   (ii) copies of the evidence, including affidavits and other materials relied on.

(4) Enforcement Staff must serve the application record before it is filed and a respondent may serve and file a responding record.

(5) A responding record must contain:
   (i) the order requested by the respondent, including a statement of the reasons for the order requested, and
   (ii) copies of any additional evidence, including affidavits and other materials relied on.
(6) A party to an application under subsection 8426(1) may serve and file a memorandum of fact and law prior to the hearing of the application.

(7) A hearing panel may, at any time, on any terms or conditions it considers appropriate, require oral testimony to be adduced at the hearing on any matter in issue and allow cross-examination on an affidavit.

(8) A hearing panel may:
   (i) grant the order requested,
   (ii) dismiss or adjourn the application in whole or in part, with or without terms, and
   (iii) make any other decision authorized by subsection 8212(4) that it considers appropriate.

8427. Review of protective orders

(1) A party who requests a review of a decision made under section 8212 must serve and file, within 30 days of the date of the decision, a notice of request for review and a review record.

(2) A notice of request for review must contain:
   (i) the date, time and location of the hearing of the request for review,
   (ii) the relief sought,
   (iii) the grounds for the relief sought, including reference to any Corporation requirements or applicable laws,
   (iv) a list of evidence and other materials relied on, and
   (v) whether it is proposed that the request for review be heard as an oral hearing, electronic hearing or written hearing.

(3) A review record must contain:
   (i) the notice of request for review, and
   (ii) copies of any additional evidence, including affidavits and other materials relied on.

(4) Enforcement Staff must file, at least seven days prior to the date of the review hearing, a record that contains the record of the hearing under section 8212, the decision and reasons of the hearing panel, a transcript of the hearing and copies of any documentary or other evidence received by the hearing panel not otherwise contained in the record.

(5) A responding party may serve and file a reply no later than seven days prior to the date of the review hearing.

(6) A reply must contain:
   (i) the order requested by the responding party and a statement of the reasons for the order requested, and
   (ii) copies of any additional evidence, including affidavits and other material relied on.

(7) The parties may serve and file a memorandum of fact and law no later than two days prior to the date of the review hearing.

(8) A review hearing must be conducted in the following order:
   (i) the requesting party may present evidence,
   (ii) the responding party may present evidence,
(iii) the requesting party may make submissions,
(iv) the responding party may make submissions, and
(v) the requesting party may reply to the submissions of the responding party.

(9) A hearing panel may at any time, on any terms or conditions it considers appropriate, require oral testimony to be adduced at the review hearing on any matter in issue and allow cross-examination on an affidavit.

(10) At any time prior to a review hearing, a requesting party may bring a motion for a stay of an order made under subsection 8212(4).

8428. Settlement hearings

(1) If a settlement agreement is made after a notice of hearing has been issued, a settlement hearing must be commenced by a notice of motion.

(2) If a settlement agreement is made before a notice of hearing is issued, a settlement hearing must be commenced by a notice of application.

(3) Enforcement Staff must serve the respondent with, and file, a commencing notice for a settlement hearing and must file copies of the settlement agreement at least seven days prior to the date of the settlement hearing, unless the hearing on the merits has commenced and the hearing panel orders otherwise.

(4) A commencing notice for a settlement hearing must contain:
   (i) the date, time and location of the settlement hearing,
   (ii) the identity of the respondent,
   (iii) a statement of the purpose of the hearing,
   (iv) the general nature of the allegations addressed by the settlement agreement, and
   (v) whether it is proposed that the settlement hearing be an oral hearing, electronic hearing or written hearing.

(5) A settlement agreement must not be open for inspection by the public unless it has been accepted by a hearing panel.

(6) At a settlement hearing, facts that are not contained in the settlement agreement must not be disclosed to the hearing panel without the consent of all parties, unless the respondent does not appear, in which case Enforcement Staff may disclose additional relevant facts, if requested by the hearing panel.

8429. Monitor

(1) A request for directions by Enforcement Staff or a Monitor must be made by bringing a motion in accordance with section 8413.

PART C - REVIEW PROCEEDINGS

8430. Regulatory review hearings

(1) A party who requests a review of a regulatory decision must serve and file, within the time specified in Corporation requirements relating to the regulatory decision and:
   (i) in the case of a decision made under section 9204, 9206 or 9207, at least 14 days, and
(ii) in the case of a decision under Part B of Rule 4100, no more than the number of days specified in Part B of Rule 4100, prior to the date of the hearing, a notice of request for review and a review record.

(2) A notice of request for review must contain:
   (i) the date, time and location of the hearing of the request for review,
   (ii) the relief sought,
   (iii) the grounds for the relief sought, including reference to any Corporation requirements or applicable laws,
   (iv) a list of evidence and other materials relied on, and
   (v) whether it is proposed that the request for review be heard as an oral hearing, electronic hearing or written hearing.

(3) A review record must contain:
   (i) the notice of request for review,
   (ii) any notice of the regulatory decision received by the requesting party,
   (iii) the regulatory decision and any reasons for the regulatory decision,
   (iv) any materials that accompanied the notice of the regulatory decision or the regulatory decision received by the requesting party,
   (v) copies of any additional evidence, including affidavits and other materials relied on.

(4) A responding party may serve and file a reply no later than seven days prior to the date of the review hearing.

(5) A reply must contain:
   (i) the order requested by the responding party and a statement of the reasons for the order requested, and
   (ii) copies of any additional evidence, including affidavits and other material relied on.

(6) The parties may serve and file a memorandum of fact and law no later than two days prior to the date of the review hearing.

(7) A review hearing must be conducted in the following order:
   (i) the requesting party may present evidence,
   (ii) the responding party may present evidence,
   (iii) the requesting party may make submissions,
   (iv) the responding party may make submissions, and
   (v) the requesting party may reply to the submissions of the responding party.

(8) A hearing panel may at any time, on any terms or conditions it considers appropriate, require oral testimony to be adduced at the review hearing on any matter in issue and allow cross-examination on an affidavit.
PART D - SECURITIES REGULATORY AUTHORITY REVIEW

8431. Record for review

(1) A party who applies to a securities regulatory authority for review of a final decision of a hearing panel may obtain a copy of the record of the proceeding in which the decision was made by sending a request for the record, in prescribed form, to the National Hearing Officer.

(2) The National Hearing Officer must provide a copy of the record of the proceeding to the party within a reasonable time after receipt of a request under subsection 8431(1), subject to payment of any applicable costs or fees.

(3) Subject to subsection 8431(4), the record of a proceeding must include copies of:
   (i) the commencing notice in the proceeding,
   (ii) any interim orders made in the proceeding,
   (iii) any preconference memorandums,
   (iv) documentary and other evidence adduced in the proceeding, subject to any limitations imposed under Corporation requirements by a hearing panel or by law,
   (v) any other documents in the proceeding requested by a party,
   (vi) a transcript of oral evidence given at the hearing on the merits, and
   (vii) the decision and reasons of the hearing panel.

(4) The National Hearing Officer may omit any documents from the record of a proceeding, if:
   (i) the parties consent and the hearing panel agrees, or
   (ii) the hearing panel so directs.

(5) The National Hearing Officer may require the party who requests the record of a proceeding to pay the costs of preparing a copy of the record and a reasonable fee for its preparation.

8432. – 8999. Reserved.
RULE 9100 | COMPLIANCE EXAMINATIONS

9101. Introduction

(1) Rule 9100 sets out the powers of the Corporation to initiate and conduct compliance examinations and request information and the rights and obligations of Regulated Persons with respect to such examinations.

9102. Examinations

(1) An examination under Rule 9100 includes a request for information made by Corporation staff.

9103. Conducting examinations

(1) Corporation staff may examine the conduct, business and affairs of a Regulated Person with respect to Corporation requirements, applicable laws, or trading or advising in respect of securities, futures contracts or derivatives.

(2) Corporation staff may initiate an examination where they consider it advisable to do so.

9104. Examination powers

(1) In connection with an examination, Corporation staff may, by written or electronic request, require a Regulated Person or an employee, partner, Director, officer or approved investor to:

(i) provide a written report with respect to any matter,
(ii) produce for inspection any records and documents in the person’s possession or control that Corporation staff believe may be relevant to the examination, whether written, electronically stored, or recorded,
(iii) provide copies of any such records and documents in the manner and form, including electronically and recorded, that Corporation staff requests, and
(iv) answer questions with respect to any matter.

(2) In a request made under subsection 9104(1), Corporation staff may require production of original documents and must provide a receipt for any original documents received.

(3) In connection with an examination, Corporation staff:

(i) may, with or without prior notice, enter the business premises of any Regulated Person during business hours,
(ii) are entitled to free access to and to make and keep copies of all books of account, securities, cash, documents, bank accounts, vouchers, correspondence and records of every description that Corporation staff believe may be relevant to the examination, including by taking an image of the computer hard drives of the Regulated Person, and
(iii) may remove the original of any document or record obtained under clause 9104(3)(ii), and where an original document or record is removed from the premises, Corporation staff must provide a receipt for the removed document or record.

9105. Obligations of Regulated Persons and other persons

(1) A person who receives a request made under section 9104 must comply with the request within the time specified in it.
(2) A Regulated Person must cooperate with Corporation staff who are conducting an examination, and a Regulated Person must require its employees, partners, directors and officers to cooperate with Corporation staff conducting an examination and to comply with a request made under section 9104.

(3) A person who is aware that Corporation staff is conducting an examination must not conceal or destroy any record, document or thing that contains information that may be relevant to the examination or ask or encourage any other person to do so.

9106. Use of information

(1) Corporation staff may refer any information obtained from an examination to Enforcement Staff, other Corporation staff, or a securities, futures or derivatives regulatory authority.

(2) Corporation staff may take any other appropriate action based on information obtained from an examination.

9107. – 9199. Reserved.
RULE 9200 | APPROVALS AND REGULATORY SUPERVISION

9201. Introduction

(1) Rule 9200 sets out the authority of the Corporation to approve individuals employed by or otherwise acting on behalf of Dealer Members, to grant exemptions from the Corporation’s proficiency requirements, to impose terms and conditions on approvals and Membership in the Corporation, to suspend and revoke approvals, and rights of review available to parties to such decisions.

9202. Definitions

(1) The following terms have the meaning set out below when used in Rule 9200:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>“application”</td>
<td>An application for approval or an exemption under Rule 9200, but does not include a request for a review of a decision on such an application under Rule 9300.</td>
</tr>
<tr>
<td>“decision”</td>
<td>A determination made by the Corporation under Rule 9200.</td>
</tr>
<tr>
<td>“Registration Staff”</td>
<td>Registration staff of the Corporation.</td>
</tr>
<tr>
<td>“senior review officer”</td>
<td>A senior officer of the Corporation who has authority to review a decision made by the Corporation under section 9206 in accordance with the procedures set out in section 9209</td>
</tr>
</tbody>
</table>

9203. Corporation Decisions

(1) Notice of a Corporation decision must be given to an applicant or other person who is its subject.

(2) The Corporation must not:
   (i) refuse an application,
   (ii) impose terms and conditions on an approval, or
   (iii) suspend or revoke an approval,

   unless the applicant or Approved Person has been given an opportunity to be heard.

(3) Written reasons must be provided with notice of a decision that:
   (i) refuses an application,
   (ii) imposes terms and conditions on an approval, or
   (iii) suspends or revokes an approval.

(4) A decision is effective on the date on which notice of the decision is provided to the parties, unless:
   (i) the decision provides otherwise, in which case the decision is effective on the date so provided, or
   (ii) unless the decision is stayed under subsection 9209(4) or by a hearing panel.

9204. Individual approval applications

(1) An individual may make an application to the Corporation for approval as a:
   (i) Supervisor,
   (ii) Director or Executive,
(iii) Registered Representative, Investment Representative, Portfolio Manager and Associate Portfolio Manager,
(iv) Chief Financial Officer, Chief Compliance Officer, or Ultimate Designated Person, or
(v) Trader.

(2) The Corporation must approve an application under subsection 9204(1), unless in its opinion:
   (i) the applicant:
       (a) does not comply with Corporation requirements,
       (b) is likely not to comply with Corporation requirements, or
       (c) does not comply with securities laws relating to or is not suitable for approval on the basis of training, experience, solvency or integrity, or
   (ii) the approval is otherwise not in the public interest.

(3) The Corporation may approve an application under subsection 9204(1), subject to any terms and conditions it considers appropriate.

9205. Membership approval applications

(1) Corporation staff shall make a recommendation to the Board to:
   (i) approve an application for Dealer Member Membership in the Corporation made pursuant to section 3.5 of General By-law No. 1,
   (ii) approve the application subject to such terms and conditions as may be considered just and appropriate, or
   (iii) refuse the application if, in its opinion:
       (a) the applicant does not comply with one or more Corporation requirements,
       (b) one or more Corporation requirements will not be complied with by the applicant,
       (c) the applicant is not qualified for approval by reason of integrity, solvency, or experience, or
       (d) such approval is not in the public interest.

(2) Prior to consideration of an application for Dealer Member Membership in the Corporation by the Board, the applicant shall be informed that it has an opportunity to be heard by the Board before the Board decides on the application and shall be given a copy of Corporation staff’s recommendation and informed in writing of the reasons for it.

(3) The Board shall have the power to:
   (i) approve an application for Dealer Member Membership in the Corporation made pursuant to section 3.5 of General By-law No. 1,
   (ii) approve the application subject to such terms and conditions as may be considered just and appropriate, or
   (iii) refuse the application if, in its opinion:
       (a) the applicant does not comply with one or more Corporation requirements,
       (b) one or more Corporation requirements will not be complied with by the applicant,
       (c) the applicant is not qualified for approval by reason of integrity, solvency, or experience, or
(d) such approval is not in the public interest.

(4) A decision of the Board under subsection 9205(3) is a final decision for which no further review or appeal is provided under Corporation requirements.

9206. Exemption applications

(1) An individual or a Dealer Member, with respect to proficiency requirements applicable to its Approved Persons, may apply to the Corporation for an exemption from the proficiency requirements under Rule 2600, or for an extension of or exemption from a continuing education requirement under Rule 2700.

(2) On an application under subsection 9206(1), the Corporation may grant an exemption or extension in accordance with any standards in the relevant rule, subject to any terms and conditions it considers appropriate.

9207. Continued approval

(1) The Corporation may, in its discretion, impose terms and conditions on the continued approval of an Approved Person to ensure continuing compliance with Corporation requirements.

(2) The Corporation may suspend or revoke the approval of an Approved Person, if it appears to the Corporation that:
   (i) the Approved Person is not suitable for approval by reason of integrity, solvency, training or experience,
   (ii) the Approved Person has failed to comply with Corporation requirements, or
   (iii) the approval is otherwise not in the public interest.

9208. Terms and conditions on membership

(1) The Corporation may impose terms and conditions on a Dealer Member’s Membership in the Corporation, where the Corporation considers it appropriate to ensure continuing compliance with Corporation requirements.

(2) The Corporation must not impose terms and conditions on a Membership in the Corporation, unless the Dealer Member has been given an opportunity to be heard.

(3) Notice of a decision imposing terms and conditions under subsection 9208(1) must be given to the Dealer Member and must be accompanied by written reasons for the decision.

9209. Review Hearings

(1) Within 30 days after the release of a decision under section 9204, 9207 or 9208, an applicant, Approved Person or Dealer Member, respectively, may request a review of the decision by a hearing panel under Rule 9300.

(2) An applicant may, within 30 days after the release of a decision under section 9206, request a review of the decision by a senior review officer.

(3) Registration Staff may, within 30 days after the release of a decision, other than a decision made by Registration Staff, request a review:
   (i) of a decision under section 9204 or 9207 by a decision under Rule 9300, or
   (ii) of a decision under section 9206 by a senior review officer.
(4) A request for review of a decision under section 9206 by Registration Staff operates as a stay of the decision.

(5) If a review of a decision under section 9206 is requested, the National Hearing Officer must, subject to subsection 9209(7), select a senior review officer to review the decision.

(6) A decision maker who has participated in a decision must not be selected to review the decision.

(7) On a review of a decision made under section 9206, the senior review officer may:
(i) affirm the decision,
(ii) quash the decision,
(iii) vary or remove any terms and conditions imposed on the applicant, and
(iv) make any decision that could have been made by the Corporation under section 9206.

(8) A decision of the senior review officer under subsection 9209(7) is a final decision for which no further review or appeal is provided under Corporation requirements.

9210. Review by a securities regulatory authority
(1) A party may apply to the securities regulatory authority in the applicable District for a review of a final decision of a senior review officer under Rule 9200.

(2) A person who is entitled to request a review by a senior review officer under section 9209 of a decision made under section 9206 may not apply to a securities regulatory authority for review of that decision, unless the person has requested a review by a senior review officer and the senior review officer has made a final decision.

(3) For purposes of subsection 9210(1), Corporation staff is directly affected by a decision in a proceeding in which Corporation staff is a party.

9211. – 9299. Reserved.
RULE 9300 | REGULATORY REVIEW PROCEEDINGS

9301. Introduction
(1) Rule 9300 sets out the authority of hearing panels to review a decision under Rule 9200 or an early warning level 2 prohibition under Part B of Rule 4100.

9302. Definitions
(1) The following terms have the meaning set out below when used in Rule 9300:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>“application”</td>
<td>An application for approval under section 9204.</td>
</tr>
<tr>
<td>“approval order”</td>
<td>An order made under section 9207.</td>
</tr>
<tr>
<td>“compliance order”</td>
<td>An order made under section 9208.</td>
</tr>
<tr>
<td>“decision”</td>
<td>A determination made by the Corporation or a hearing panel that makes a decision in a review proceeding under Rule 9300.</td>
</tr>
<tr>
<td>“early warning review order”</td>
<td>An order made under Part B of Rule 4100.</td>
</tr>
</tbody>
</table>

9303. Hearings and decisions
(1) Section 8203 applies to a proceeding under Rule 9300, with modifications required by the context of this Rule 9300.
(2) A decision of a hearing panel is effective on the date the decision is dated by the National Hearing Officer, unless the decision provides otherwise, in which case the decision is effective on the date so provided.

9304. Review proceedings
(1) A request for review of a decision made on an application, an approval order, a compliance order or an early warning review order must be heard by a hearing panel in accordance with the Rules of Procedure.
(2) After a hearing under this section, a hearing panel may:
   (i) affirm the decision under review,
   (ii) quash the decision,
   (iii) vary or remove any terms and conditions imposed by the decision,
   (iv) prohibit, as applicable, a further application for approval under section 9204 by the applicant for a period of time it considers appropriate, or
   (v) make any decision authorized by Corporation requirements under which the decision was made.

9305. Review by a securities regulatory authority
(1) A party may apply to the securities regulatory authority in the applicable District for a review of a final decision of a hearing panel under Rule 9300.
(2) A person who is entitled to request a review of a decision under section 9304 may not apply to a securities regulatory authority for review of the decision, unless the person has requested a review by a hearing panel and the hearing panel has made a final decision.
(3) For purposes of subsection 9305(1), Corporation staff is directly affected by a decision in a proceeding in which Corporation staff is a party.

9306. – 9399. Reserved.
RULE 9400 | PROCEDURES FOR OPPORTUNITIES TO BE HEARD BEFORE DECISIONS ON APPROVAL AND REGULATORY COMPLIANCE MATTERS

9401. Introduction
(1) These procedures apply where Corporation requirements require an opportunity to be heard before:
   (i) Corporation staff,
   (ii) a senior decision officer who has the authority to make a decision concerning an individual or a Dealer Member, or
   (iii) the Board concerning an application for Dealer Member Membership in the Corporation.
(2) These procedures will be followed where, under statutory authority that has been delegated to the Corporation, the Corporation makes a registration decision for which an opportunity to be heard is required under securities laws.
(3) Rule 9400 is divided into the following parts:
   Part A - Opportunities to be heard by a senior decision officer
   [sections 9403 through 9410]
   Part B - Opportunities to be heard by the Board
   [sections 9411 through 9417]

9402. Definitions
(1) The following terms have the meaning set out below when used in Rule 9400:

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>“decision maker”</td>
<td>Corporation staff with authority to make a decision in a hearing under Rule 9200.</td>
</tr>
<tr>
<td>“Registration Staff”</td>
<td>Refers to registration employees of the Corporation and employees of Corporation who conduct compliance examinations under Rule 9100.</td>
</tr>
<tr>
<td>“senior decision officer”</td>
<td>A senior officer of the Corporation who has authority to make a decision to impose terms and conditions on a Dealer Member’s Membership in the Corporation under section 9208</td>
</tr>
</tbody>
</table>

PART A - OPPORTUNITIES TO BE HEARD BY A SENIOR DECISION OFFICER

9403. Opportunities to be heard by a senior decision officer
(1) The procedures in sections 9404 through 9410 apply where an applicant has requested an opportunity to be heard by a senior decision officer pursuant to subsection 9208(2) or by the Corporation pursuant to subsection 9203(2).
(2) These procedures are intended to ensure that opportunities to be heard by a decision maker are handled in a way that ensures a fair hearing, without being unnecessarily formal.

9404. Counsel
(1) A party to a proceeding under Rule 9400 may be represented by counsel or an agent.
(2) If an applicant, Approved Person or Dealer Member is represented by counsel or an agent, Registration Staff will communicate with the applicant, Approved Person or Dealer Member through counsel or the agent.

9405. Corporation Staff Notice

(1) If Registration Staff recommends refusing to grant, revoking, or suspending a Corporation approval or that terms and conditions be imposed on an approval or Membership, Registration Staff must send a letter to the applicant, Approved Person or Dealer Member giving notice of Registration Staff’s recommendation and brief reasons for it.

9406. Response of applicant, Approved Person or Dealer Member

(1) In section 9406 a “response” means the applicant, Approved Person or Dealer Member must inform Registration Staff in writing if an applicant, Approved Person or Dealer Member wishes to be heard before a decision is made on Registration Staff’s recommendation.

(2) A response must be delivered within 10 business days after receipt of Registration Staff’s letter, or within such shorter period of time as set out in such letter.

(3) If a response is not delivered within the time set out in Registration Staff’s letter, Registration Staff will send its recommendation to the decision maker for consideration.

9407. Choice of written submissions or appearance

(1) Unless otherwise decided by a decision maker, an opportunity to be heard will be conducted as an exchange of written submissions. However, an applicant, Approved Person, Dealer Member or Registration Staff may request that the opportunity to be heard be conducted as an appearance:
   (i) in the presence of a decision maker,
   (ii) by telephone conference, or
   (iii) by other interactive electronic means acceptable to both parties.

(2) A request that an opportunity to be heard be conducted as an appearance must be made to the decision maker in writing, with a brief statement of the reasons for making the request, and the other party will be given an opportunity to object to the request before the decision maker decides whether to grant a request for an appearance.

(3) A decision maker may also decide on its own initiative that the opportunity to be heard will be conducted as an appearance, in which case the decision maker must promptly inform the parties of its decision.

9408. Exchange of written submissions

(1) This section describes the process to be followed if the opportunity to be heard is conducted by exchange of written submissions.

(2) Registration Staff must provide the applicant, Approved Person or Dealer Member with a written submission setting out the facts and law supporting Registration Staff’s recommendation. Registration Staff’s submission must be delivered to the applicant, Approved Person or Dealer Member within 10 business days after Registration Staff receives the applicant’s, Approved Person’s or Dealer Member’s response (as defined in section 9406).
An applicant, Approved Person or Dealer Member must then provide Registration Staff with a written submission responding to Registration Staff’s submission, to be delivered within 10 business days after the applicant, Approved Person, or Dealer Member receives Registration Staff’s submission.

Subject to agreement of the parties or a decision of the decision maker, there will only be one exchange of written submissions so that the decision maker may render a decision without unnecessary delay; however, where the parties agree to make further submissions or either of them requests that the decision maker allow further submissions, such agreement or request must be made within five business days after delivery of the applicant’s, Approved Person’s or Dealer Member’s submission under subsection 9408(3).

Unless an agreement or request is made under subsection 9408(4), Registration Staff’s and the applicant’s, Approved Person’s or Dealer Member’s respective submission will be delivered by Registration Staff to the decision maker within five business days after the applicant’s, Approved Person’s or Dealer Member’s submission is delivered.

If an agreement or request is made under subsection 9408(4), the submissions of all parties will be delivered by Registration Staff to the decision maker when all submissions have been delivered or the time for their delivery has elapsed.

9409. Appearance before a decision maker

(1) This section describes the process to be followed if the opportunity to be heard is conducted as an appearance.

(2) An appearance before a decision maker will generally be an informal proceeding, and the Rules of Procedure do not apply.

(3) At an appearance:
   (i) the decision maker may ask any question and admit any evidence it thinks fit,
   (ii) witnesses may be called, examined and cross-examined with the consent of the decision maker, and
   (iii) the applicant, Approved Person or Dealer Member and any witnesses may be required to give evidence under oath or affirmation.

9410. Decisions

(1) Where an applicant, Approved Person or Dealer Member requests that an opportunity to be heard be conducted by exchange of written submissions, but fails to deliver submissions within the required time, the decision maker may make its decision on Registration Staff’s recommendation and submissions without further notice or delay.

PART B - OPPORTUNITIES TO BE HEARD BY THE BOARD

9411. Opportunities to be heard by the Board

(1) The procedures in sections 9412 through 9417 apply where an applicant has requested an opportunity to be heard by the Board in relation to an application for Dealer Member Membership in the Corporation as set out in section 9205.
These procedures are intended to ensure that opportunities to be heard by the Board are handled in a way that ensures a fair hearing, without being unnecessarily formal.

9412. Corporation Staff Notice

(1) If Corporation staff recommends that the Board refuse to grant Membership in the Corporation, or that terms and conditions be imposed on Membership in the Corporation, Corporation staff must send a letter to the applicant giving notice of Corporation staff’s recommendation and brief reasons for it.

9413. Response of applicant, Approved Person or Dealer Member

(1) In section 9413 a “response” means the applicant must inform Corporation staff in writing if an applicant wishes to be heard before a decision is made on Corporation staff’s recommendation.

(2) A response must be delivered within 10 business days after receipt of Corporation staff’s letter, or within such shorter period of time as set out in such letter.

(3) If a response is not delivered within the time set out in Corporation staff’s letter, Corporation staff will send its recommendation to the Board for consideration.

9414. Choice of written submissions or appearance

(1) An opportunity to be heard will be conducted as an exchange of written submissions, unless an applicant or Corporation staff requests that the opportunity to be heard be conducted as an appearance:

   (i) in the presence of the Board,

   (ii) by telephone conference, or

   (iii) by other interactive electronic means acceptable to both parties.

(2) A request that an opportunity to be heard be conducted as an appearance must be made to the Board in writing, with a brief statement of the reasons for making the request, by delivering a copy of the request to the Corporation. The other party will be given an opportunity to object to the request before the Board decides whether to grant a request for an appearance.

(3) The Board may also decide on its own initiative that the opportunity to be heard will be conducted as an appearance, in which case the Board must promptly inform the parties of its decision.

9415. Exchange of written submissions

(1) This section describes the process to be followed if the opportunity to be heard is conducted by exchange of written submissions.

(2) Corporation staff must provide the applicant with a written submission setting out the facts and law supporting Corporation staff’s recommendation, which submission must be delivered to the applicant within 10 business days after Corporation staff receives the applicant’s response (as defined in section 9413).

(3) An applicant must then provide Corporation staff with a written submission responding to staff’s submission, to be delivered within 10 business days after the applicant receives Corporation staff’s submission.
Subject to agreement of the parties or a decision of the Board:

(i) there will only be one exchange of written submissions so that the Board may render a decision without unnecessary delay, and

(ii) where the parties agree to make further submissions or either of them requests that the Board allow further submissions, such agreement or request must be made within five business days after delivery of the applicant’s submission under subsection 9415(3).

Unless an agreement or request is made under subsection 9415(4), Corporation staff’s and the applicant’s respective submission will be provided to the Board within five business days after the applicant’s submission is delivered.

If an agreement or request is made under subsection 9415(4), the submissions of all parties will be provided to the Board when all submissions have been delivered or the time for their delivery has elapsed.

9416. Appearance before the Board

(1) This section describes the process to be followed if the opportunity to be heard is conducted as an appearance.

(2) An appearance before the Board will generally be an informal proceeding, and the Rules of Procedure do not apply.

(3) At an appearance:

(i) the Board may ask any question and admit any evidence it thinks fit,

(ii) witnesses may be called, examined and cross-examined with the consent of the Board, and

(iii) the applicant and any witnesses may be required to give evidence under oath or affirmation.

9417. Decisions

(1) Where an applicant requests that an opportunity to be heard be conducted by exchange of written submissions, but fails to deliver submissions within the required time, the Board may make its decision on Corporation staff’s recommendation and submissions without further notice or delay.

9418. – 9499. Reserved.
RULE 9500 | ALTERNATIVE DISPUTE RESOLUTION

9501. Introduction

(1) Rule 9500 sets out the requirements relating to a Dealer Member’s obligation to participate in arbitration programs and ombudsman services approved by the Corporation.

9502. Participation by a Dealer Member in arbitration

(1) The Board may approve, with terms and conditions, one or more arbitration programs or organizations for Dealer Members or any class of Dealer Members.

(2) A Dealer Member must participate in or become a member of an arbitration program or organization approved by the Board.

(3) The participation of a Dealer Member in, or any decision made under, an arbitration program will not affect the Corporation’s authority, or prevent it from exercising that authority under Corporation requirements.

(4) If a client requests arbitration, the Dealer Member involved must submit to binding arbitration in any dispute between the Dealer Member and the client.

(5) The Dealer Member must comply with the arbitration program’s requirements and decisions.

9503. Participation by a Dealer Member in an ombudsman service

(1) A Dealer Member must participate in an ombudsman service approved by the Board.

(2) The participation of a Dealer Member in, or any recommendations made by, an ombudsman service, will not affect the authority of the Corporation or prevent it from exercising that authority under Corporation requirements.

(3) On a client’s request, any dispute between a Dealer Member and the client must be submitted to the approved ombudsman service.

(4) The eligibility of a dispute for review is made by the ombudsman service based on its terms of reference.

(5) A Dealer Member must comply with the ombudsman service’s requirements.

(6) The ombudsman’s recommendations are non-binding on each participant in the service.

9504. Dealer Members must provide information to ombudsman service

(1) The ombudsman service may ask a Dealer Member, or an Approved Person, or other person subject to the Corporation’s authority for information or records relating to a review or investigation.

(2) The person in subsection 9504(1) must submit the information requested in the form and manner, including electronic, as prescribed by the ombudsman service.

(3) The ombudsman may not provide the Corporation with any information or records of its service received relating to a review or investigation, except information relating to a Corporation investigation or hearing allegation that:

   (i) the Dealer Member provided information to the ombudsman service it knew was false and intended to mislead the ombudsman, or
(ii) the Dealer Member failed to provide information as required by section 9504.

9505. –9999. Reserved.