

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

DISCLOSURE TO CLIENTS OF DEALER MEMBERS' FINANCIAL POSITION - AMENDMENTS TO DEALER MEMBER
RULE 1400

BLACK-LINE COPY OF THE AMENDMENTS THAT COMPARES THE AMENDMENTS TO THE CURRENT DEALER
MEMBER RULE 1400

RULE 1400

DISCLOSURE TO CLIENTS OF DEALER MEMBERS' FINANCIAL ~~CONDITION~~POSITION AND
OTHER INFORMATION

- 1400.1. Each Dealer Member shall make available to its clients, on request, a summary statement of its financial ~~condition~~position as of the close of its latest financial year and based on the latest annual audited financial statements, provided that in order to prepare such statement, the Dealer Member shall have 75 days from the close of such financial year. The term "client", as used in this Rule 1400, shall mean any person who ~~has executed~~ had a transaction with a Dealer Member within one year of the day on which a request for a summary statement of financial ~~condition~~position is made.
- 1400.2. Any summary statement of financial ~~condition~~position published in a newspaper or other medium in Canada or provided to any other party shall be in the same form and of the same substance as the statement made available to clients.
- 1400.3. The summary statement of financial ~~condition shall contain information such as the following or similar headings for items which are material:~~position of the Dealer Member and shall contain material information including assets, liabilities and financial statement capital, and be generated using the Securities Industry Regulatory Financial Filings system (SIRFF).

~~Current Assets~~

~~Cash~~

~~Receivables from brokers and dealers~~

~~Receivables from customers~~

~~Inventory of securities at the lower of cost or market value or at market value (state basis of valuation)~~

~~Miscellaneous Accounts Receivable~~

~~Other Assets (state basis of valuation)~~

~~Investment in subsidiary and affiliated companies~~

~~Fixed assets~~

~~Current Liabilities~~

~~Call loans and bank overdrafts~~

~~Payable to brokers and dealers~~

~~Payable to customers~~

~~Accounts payable, accrued expenses and income taxes~~

~~Securities sold short at the higher of cost or market value or at market value (state basis of valuation)~~

~~Capital in the Business~~

~~Shareholders' equity (including subordinated loans and retained earnings)~~

~~Partners' equity~~

1400.4. The summary statement of financial position shall either be:

(a) audited and accompanied by:

(i) a report prepared by the Dealer Member's auditor stating that it fairly summarizes the financial position of the Dealer Member; and

(ii) notes disclosures specified by the Dealer Member's auditor.

or

(b) unaudited and:

(i) generated from within the Securities Industry Regulatory Financial Filings system (SIRFF) using information from the most recent audited year-end regulatory financial report (Form 1) of the Dealer Member;

(ii) certified by the Dealer Member's Chief Financial Officer; and

(iii) 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.

1400.5. Where the accounts of a Dealer Member are included in the consolidated financial statements of any holding company or affiliate of the Dealer Member which are published in a newspaper or other medium in Canada and the holding company, related company or affiliate has a name similar to that of the Dealer Member, either

(a) The consolidated financial statement shall be accompanied by a note indicating that the entity to which the consolidated statements relate is neither a Dealer Member of the Corporation nor of any other recognized self-regulatory

organization and that, while the statements include the accounts of the Dealer Member, the consolidated statements are not the financial statements of the Dealer Member; or

- (b) The Dealer Member shall, contemporaneously with the publication, send to each of its clients the unconsolidated summary statement of financial ~~condition~~position of the Dealer Member together with a letter explaining why such statement is being sent.

~~1400.5. The statement of financial condition shall be accompanied by a report by the Dealer Member's auditor stating that it fairly summarizes the financial position of the Dealer Member.~~

1400.6. Each Dealer Member shall make available to its clients, on request, a current list of the names of its partners ~~or its directors~~, Directors and ~~senior officers~~Executives made up as of a recent date.

1400.7. Each Dealer Member shall indicate to its clients on each statement of account or in such other manner as may be approved by the Corporation that the summary statement of financial ~~condition~~position and list of partners, ~~directors~~Directors and ~~senior officers~~Executives are available upon request.