INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

TEXT OF THE CURRENT RELEVANT PROVISIONS OF DEALER MEMBER RULES 29, 36, 800, 2100, 2800, AND 2800B

RULE 29
BUSINESS CONDUCT

.
.

29.9. A Dealer Member which purchases debt securities taken in trade shall purchase the securities at a fair market price at the time of purchase.

A Dealer Member, in the course of a distribution of a fixed price offering of debt securities, shall ensure that any purchase of other debt securities taken in trade in relation to that offering is done at fair market price.

29.10. For the purpose of Rule 29.9, unless the subject matter or context otherwise requires, the expression:

"**Taken in Trade**" means the purchase by a Dealer Member as principal, or as agent, of a debt security from a customer pursuant to an agreement or understanding that the customer purchase other debt securities from or through the Dealer Member;

"**Fair market Price**" means a price not higher than the price at which the securities would be purchased from the customer or from a similarly situated customer in the ordinary course of business by a dealer in such securities in transactions of similar size and having similar characteristics but not involving a security taken in trade.

.
.

RULE 36
INTER-DEALER BOND BROKERAGE SYSTEMS

36.1. No Dealer Member shall trade domestic debt securities through the facilities of an inter-dealer bond broker unless the broker has been approved as such by the Board of Directors, the approval has not been rescinded, and the trade is made in compliance with the operating procedures of the broker and the rules of the Corporation. For purposes of this Rule and Rule 2100, "domestic debt securities" means Canadian dollar denominated debt securities other than Eurodollar securities and any other securities that the Board of Directors determines should not be treated as domestic debt securities.

36.2 An application for approval as an inter-dealer bond broker shall be in such form and executed in such manner as the Board of Directors may prescribe and shall contain or be accompanied by such information as the Rules and the Board of Directors may require.

36.3. Any inter-dealer bond broker shall be eligible for approval, and continued approval, if:

(a) It is registered or licensed in each jurisdiction in Canada where the nature of its business requires such registration or licensing, and is in compliance with such legislation and the requirements of any securities commission having jurisdiction over the applicant; and

(b) It complies with such other standards and conditions of approval as set forth from time to time in the Rules.

36.4. The provisions of Rule 33.1 shall apply mutatis mutandis to any decision of the Board of Directors and for the purposes of any decision made under this Rule 36, the securities commission referred to in Rule 33.1 shall be deemed conclusively to have jurisdiction to dispose of any review or appeal sought in connection therewith. Any party affected by a decision of the Board of Directors may require the Board of Directors to give reasons in writing for the decision.

RULE 800
TRADING AND DELIVERY

.

.

800.5. All securities having interest payable as a fixed obligation shall be dealt in 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. This Rule 800.5 may be abrogated from time to time in specific cases where common practice and expediency prompt such action; due notice of such special instances to be given to all Dealer Members.

800.6. Sales made of securities prior to actual default or official announcement as specified in Rule 800.5, but undelivered at the time of default or such announcement, shall be dealt in on an "accrued interest" basis in accordance with the terms of the original transaction.

800.7. Subsequent to default or official announcement as specified in Rule 800.5, the securities shall be dealt in 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.

800.8. Transactions in bonds having coupons payable out of income, if, as and when earned, shall all take place upon a flat basis. Any matured and unpaid income coupons must be attached. Income bonds which have been called for redemption, should continue to be traded on a flat basis even after the call date has been published.

800.9. When transactions occur in bonds the issuers which have been subject to reorganization or capital adjustment with the result that holders have received as a bonus or otherwise, certain stock or scrip then such transactions shall be ex stock or scrip, unless otherwise stated at the time the trade is made. Such bonds shall be traded flat until such time as all arrears have been paid and one current coupon has been paid when due, except where the Board of Directors shall determine otherwise.

800.10. No security, with the exception of a new issue at take down date, shall be registered in the name of the customer or his or her nominee prior to the receipt of payment. The absorption by a Dealer Member of bank or other charges incurred by a customer or his or her nominee for the registration of a security will be considered an infraction of this Rule. A Dealer Member may absorb transfer fees incurred in the transfer of a security after payment according to a customer's instructions.

.
.

800.16. All transactions, except sale and repurchase agreements, involving bonds and debentures on which interest is a fixed obligation shall be treated on an accrued interest basis.

.
.

800.19. Unless prefixed by some qualifying phrase, a Dealer Member calling a market shall be obliged to trade Trading Units (as hereinafter defined) if called upon to trade.

800.20. Any Dealer Member asking the size of a stated market must be prepared to buy or sell at least a Trading Unit (as hereinafter defined) at the price quoted if immediately requested to do so by the Dealer Member calling the market.

.
.

800.22. Any amount less than one Trading Unit shall be considered as an odd lot and 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.

.
.

800.24. Unless otherwise stated at the time of the transaction, all trades are to be considered for regular delivery.

800.25. When a deal involves the sale of more than one maturity or the purchase or more than one maturity, the deal covering each maturity shall be treated as a separate transaction. No contingent (all or none) dealings are permitted.

800.26. In trading securities which are dealt in both as actual bonds, debentures, or other forms of securities and as certificates of deposit, and in the absence of an existing ruling making them interchangeable for delivery, delivery shall be made in the form of actual securities unless it is stipulated at the time of the transaction that they are (a) certificates of deposit, or (b) unspecified; in the latter case, either actual securities or certificates of deposit or mixed, shall be good delivery.

.
.

800.30D.

(a) For the purpose of this Rule 800.30D:

(i) "Dealer Member User" means a Dealer Member which is a party to a nominee facility agreement;

(ii) "Dealer Member Non-user" means a Dealer Member, which is not a party to a nominee facility agreement;

(iii) "Non-member User" means a corporation, firm, person or other entity, which is not a Dealer Member and is a party to a nominee facility agreement;

(iv) "Non-member Non-user" means a corporation, firm, person or other entity, which is not a Dealer Member and is not a party to a nominee facility agreement;

(v) "Nominee Facility Agreement" means an agreement in writing in a form satisfactory to the Corporation whereby The Canadian Depository for Securities Limited/La Caisse Canadienne de Dépôt de Valeurs Limitée, the TSX Venture Exchange or any other person approved by the Corporation provides for the issuing of a nominee certificate evidencing an eligible security of an issuer;

(vi) "Issuer" means an issuer of securities designated by the Corporation as an issuer for the purpose of this Rule 800.30D;

(vii) "Eligible Security" means a security of an issuer designated by the Corporation as an eligible security for the purpose of this Rule 800.30D;

(viii) "Nominee Certificate" means a certificate issued by or on behalf of an issuer in respect of an eligible security in the name of a facility nominee in a form and manner satisfactory to the Corporation;

(ix) "Facility Nominee" means a nominee appointed by The Canadian Depository for Securities Limited/La Caisse Canadienne de Dépôt de Valeurs Limitée or the TSX Venture Exchange or any other nominee, any of which nominees shall have been approved by the Corporation for the purposes and on the terms and conditions prescribed by the Corporation.

(b) Notwithstanding any other Rule relating to the delivery or good delivery of securities, but subject to Rule 800.30C, good delivery in eligible securities of an issuer,

(i) Between Dealer Member users and between Dealer Member users and non-Dealer Member users shall only be by nominee certificates except that, if a delivering non-Dealer Member user is a chartered bank or trust company licensed or registered to do business in Canada or a province thereof, good delivery may also be by certificates registered in the name of the delivering chartered bank or trust company or their respective nominees, clients or a nominee of their clients (provided that a Dealer Member or a non-Dealer Member user other than a chartered bank or trust company shall not be a nominee) and shall otherwise comply with Rule 800;

(ii) Between Dealer Member non-users and between delivering Dealer Member non-users and either non-Dealer Member users or non-Dealer Member non-users shall

only be by certificates registered in the name of the receiving Dealer Member non-user, non-Dealer Member user or non-Dealer Member non-user, as the case may be, its client or the client's nominee and shall otherwise comply with Rule 800, provided that, if the receiving non-Dealer Member user or non-Dealer Member non--user is the client of the delivering Dealer Member non-user, certificates shall be in the name of the beneficial owner or such owner's nominee (which nominee shall not be a Dealer Member);

(iii) Between a delivering Dealer Member user and either a Dealer Member non-user or a non-Dealer Member non-user shall only be by certificates registered in the name of the receiving Dealer Member non-user or non-Dealer Member non-user, as the case may be, or their respective clients or their clients' nominees and shall otherwise comply with Rule 800 provided that, if the receiving non-Dealer Member non-user is the client of the delivering Dealer Member user, certificates shall be in the name of the beneficial owner or such owner's nominee (which nominee shall not be a Dealer Member);

(iv) Between a delivering Dealer Member non-user and a Dealer Member user shall be by certificates registered in the name of the delivering Dealer Member non-user, its client or the client's nominee and shall otherwise comply with Rule 800.

(c) Notwithstanding Rule 800.10, an eligible security may be registered by a Dealer Member 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) prior to the receipt of payment therefore provided that the Dealer Member obtains an unconditional guarantee of payment by the trust company administering the plan prior to such registration.

(d) Where delivery is made by certificates in the name of a receiving Dealer Member non-user, non-Dealer Member user, non-Dealer Member non-user or a client or the client's nominee in accordance with Rules 800.30D(b)(ii) or (iii), the delivering Dealer Member or Dealer Member non-user, as the case may be, shall be entitled to payment for such certificates immediately on its advising that the certificates are available for delivery, which advice may be subject to receipt of instructions as to registration and the effecting of registrations.

.

.

RULE 2100
INTER-DEALER BOND BROKERAGE SYSTEMS

2100.1. Definitions: In this Rule 2100, and for all purposes of Rule 36:

(a) "**Domestic Debt Securities**" means Canadian dollar denominated debt securities issued or primarily traded in the Canadian markets, whether the issuer is the Government of Canada, a province, a municipality, a crown corporation, or a private sector corporation, and includes securities being traded on a "when issued" basis; a class of debt instruments is issued or primarily traded in the Canadian markets if the primary distribution of the class

was effected principally to investors in Canada or if the bulk of secondary market trading occurs in Canada and, for greater certainty, Eurodollar debt securities are not issued or primarily traded in the Canadian markets;

(b) "**Eurodollar Debt Securities**" means debt instruments issued in the international market that exists outside Canada and in respect of which an international secondary market exists primarily outside Canada;

(c) "**Inter-dealer Bond Broker**" means an organization (whether or not incorporated) that provides information, trading and communications services in connection with trading in domestic debt securities among customers of the organization;

(d) "**Customers**" means organizations authorized by an inter-dealer bond broker to use its services in connection with trading in domestic debt securities;

(e) "**Trader**" means an individual who is subject to the supervision and control of a customer of an inter-dealer bond broker, by virtue of being an employee or of some other relationship, and who is authorized by the customer to use the services of the inter-dealer bond broker for the purposes of buying or selling domestic debt securities on behalf of that customer.

2100.2. Continued Recognition. Each inter-dealer bond broker that has approved status at the time this Rule and related amendments become effective shall retain that status, subject to continuing compliance with Rule 2100 as it stood prior to the amendments, for a period of six months or such longer period as the Board of Directors may determine, after which the approved status will be retained only if the inter-dealer bond broker is in compliance with this Rule as so amended. If, at the expiry of that period, an inter-dealer bond broker would qualify for acceptance but for the fact that one or more customers of the inter-dealer bond broker does not yet satisfy Rule 2100.4, the Corporation may provide a further extension under this Rule 2100.2 on being satisfied that efforts are in progress to bring the customer or customers into compliance with Rule 2100.4 and that there is a reasonable likelihood the efforts will be successful.

2100.3. Minimum Capital. Any applicant for approval as an inter-dealer bond broker and any approved inter-dealer bond broker shall have and maintain at all times shareholders' equity in the minimum amount of $500,000 or such higher amount as may from time to time be fixed by the Board of Directors, or have an irrevocable guarantee for such amount from a parent corporation with at least that amount of shareholders' equity.

2100.4. Qualified Customers; Trader Location and Business. To qualify for approval as an inter-dealer bond broker, an applicant for approval must demonstrate and undertake that:

(a) All of its customers are and will be Dealer Members of the Corporation or of another Canadian securities industry self-regulatory organization, Canadian chartered banks, other organizations described in paragraphs (a), (b) or (c) of Rule 2100.5 or any other financial institution approved by the Board of Directors; new customers other than Dealer Members or Canadian chartered banks will provide the inter-dealer bond broker with a favourable letter of reference from a participant in an approved inter-dealer bond brokerage system and with recent financial statements or other evidence of financial condition;

(b) All of the traders for customers of the inter-dealer bond broker will be physically situated in Canada except:

(i) As to traders for a customer that is a chartered bank listed in Schedule I to the Bank Act or an affiliate of such a bank, other than an affiliate that carries on business primarily as a securities firm or a subsidiary of such an affiliate;

(ii) As to traders for a customer that is a chartered bank listed in Schedule II to the Bank Act, or that is a subsidiary of such a bank that does not carry on business primarily as a securities firm, but not including traders for other affiliates of such a bank; and

(ii) As to traders for a customer that is a chartered bank listed in Schedule II to the Bank Act, or that is a subsidiary of such a bank that does not carry on business primarily as a securities firm, but not including traders for other affiliates of such a bank; and

(c) The business of the inter-dealer bond broker relating to domestic debt securities shall be restricted to acting as agent on behalf of customers and shall not include dealing in domestic debt securities as principal, directly or indirectly through an entity in which it has an interest or which has an interest in the inter-dealer bond broker; and

(d) It is a participant in or member of an organization which has been recognized by the Board of Directors and which provides for market transparency in the domestic debt securities trading business carried on through approved inter-dealer brokers by making available to any interested person an electronic record-based digital feed of real-time market price, volume and other information. CANPX Corporation as established and organized at the date this Rule becomes effective shall be deemed to have been recognized by the Board of Directors and to be an organization which provides for market transparency for the purposes of this Rule 2100.4(d).

2100.5. Traders Outside Canada. Rule 2100.4(b) does not apply to a trader that is trading on behalf of a customer, if the Corporation is satisfied that the customer is:

(a) A firm that is a Dealer Member or a branch of a Dealer Member;

(b) An affiliate of a firm that is a Dealer Member, but only if the affiliate is a member of one of the organizations referred to in, or designated in accordance with, paragraph 2100.5(c)(ii); for greater certainty, this item (b) applies whether the affiliate is a parent or a subsidiary of the Dealer Member;

(c) A firm that:

(i) Is not affiliated with a Dealer Member;

(ii) Is a dealer regulated by the Financial Industry Regulatory Authority, or some other self-regulatory organization in the United States or elsewhere designated by the Board of Directors; and

(iii) Provides the Corporation with a legal opinion satisfactory to the Director confirming that the firm is not in contravention of registration requirements under applicable securities legislation in Canada,

but this Rule 2100.5 does not apply to a firm referred to in (b) or (c) unless that firm enters into an agreement in accordance with Rule 2100.6.

2100.6. Agreements. The parties to an agreement referred to in Rule 2100.5 shall include the Corporation and the particular firm referred to in paragraph (b) or (c) of Rule 2100.5 (referred to as the "Outside Canada Firm"), and, in the case of firms referred to in paragraph (b) of Rule 2100.5, the parties shall also include the affiliated firm of the Outside Canada Firm that is a Dealer Member. The agreement shall:

(a) State that the Outside Canada Firm will be dealing with or through the inter-dealer bond broker, specifying that such activities will be physically carried on from jurisdictions in which the Outside Canada Firm is a member of one of the self-regulatory organizations referred to in, or designated in accordance with, Rule 2100.5(c)(ii), or from other jurisdictions where the Corporation are satisfied that the trading activities are within the reach of one or more of those self-regulatory organizations;

(b) obligate the Outside Canada Firm to provide the Dealer Member firm with information as to its trading activities in domestic debt securities to enable the Dealer Member to provide the Corporation with regular reporting concerning such trading on an aggregated basis in accordance with Corporation requirements;

(c) commit the Outside Canada Firm also to provide (subject to appropriate confidentiality provisions in accordance with Canadian practice) additional information as required by the Corporation in connection with a specific inquiry concerning trading in domestic debt securities;

The agreement entered into in accordance with this section shall also contain specific provisions necessary and appropriate to adapt the requirements set out above to the particular circumstances of the Outside Canada Firm.

2100.7. Regulatory Variations. Before an inter-dealer bond broker or an Outside Canada Firm becomes subject to any Corporation requirements that are more onerous than, or are materially different from, those initially applied to it in accordance with this Rule 2100, the inter-dealer bond broker or Outside Canada Firm may require that reasonable notice of the new proposed requirement be given to the Ontario Securities Commission and to any other securities regulatory authority with applicable jurisdiction. The new requirement shall not be applied if the contrary is ordered by that authority, or by any of them. This procedure shall not apply to a change of rules arising other than under Rule 2100, for example a change that affects an Outside Canada Firm solely because it is a subsidiary of a Dealer Member.

2100.8. Consultative Committee. A consultative committee with reasonable representation from affected constituencies, including Dealer Members, Outside Canada Firms and approved inter-dealer bond brokers, shall be constituted while this Rule 2100 is in effect. The committee shall be consulted by the Board of Directors or the staff of the Corporation before any amendment is made to Rule 2100 or the manner in which it is administered including, without limitation, changes in or approvals under Rule 2100.5. The committee and any of its members may record in writing comments on any proposed amendment to this Rule or a change in its mode of administration and, where such comments are not reflected in the resulting amendment or administrative practice, copies of such written comments may be supplied by a committee

member to the Ontario Securities Commission and any other relevant securities regulatory authority or as part of the material delivered by the Corporation to the Ontario Securities Commission or to any other regulator in connection with the approval or non-disapproval of the amendment.

2100.9. Commissions. An approved inter-dealer bond broker shall not charge a commission on any trade in excess of its published schedule of commissions, as amended from time to time.

2100.10. Operating Procedures Manual. An approved inter-dealer bond broker shall publish a manual of its operating procedures and shall provide a copy of same to each customer and to the Corporation whose approval thereof is a condition to the availability of approved status. Such manual shall include a schedule of commissions charged to customers. Such operating procedures may be amended at any time by the inter-dealer bond broker with prior approval from the Corporation upon two weeks (or such lesser period as is agreed to by the Corporation) prior notice in writing to all customers and such commission schedule may be amended with effect from the giving of notice in writing to all customers and the Corporation.

2100.11. Operating Procedures. The manual of operating procedures shall:

(a) Incorporate a code of ethics which shall, at minimum, provide:

(i) All information received by the inter-dealer bond broker from or concerning customers or their activities shall remain confidential except for regulatory or compliance purposes;

(ii) All customers shall receive fair treatment; and

(iii) No gift or other incentive to do business may be given to an employee of a customer unless it is reasonable in value and is publicly given and acknowledged;

(b) Set out minimum capital criteria for the acceptance of customers and provide a procedure to establish those criteria,

And as part of the approval process the Corporation shall be satisfied as to these provisions and as to the enforcement or compliance procedure to be used by the inter-dealer broker with respect to these provisions.

2100.12. Daily Reports. An approved inter-dealer bond broker shall provide each customer with a daily report which shall set out, at minimum, the net amount of outstanding deliveries which that customer has with each other customer as of the close of business on the previous day in each of the following categories:

(a) Domestic debt instruments issued or guaranteed by the Government of Canada or a province or municipality in Canada with ten years or less to maturity;

(b) Domestic debt instruments issued or guaranteed by the Government of Canada or a province or municipality in Canada with more than ten years to maturity;

(c) Domestic debt instruments issued by a corporation;

(d) Other, which shall include any domestic debt instruments not falling into another category; and

(e) The total outstanding in all categories.

2100.13. Financial Statements. An approved inter-dealer bond broker shall provide annually to the Corporation within 140 days from the end of its last financial year, summary balance sheet information and an auditors report, prepared in accordance with generally accepted accounting principles. It shall also provide to the Corporation within 60 days of the date to which it is made up, interim semi-annual balance sheet information prepared in accordance with generally accepted accounting principles.

2100.14. Audit Confirmation. An approved inter-dealer bond broker's auditor shall confirm to the Corporation on at least an annual basis that the conditions of approval as set forth in the Rules have been complied with. At minimum such confirmation shall state: "in the course of our audit nothing came to our attention which 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 a customer of the company pursuant to Rule 2100".

2100.15. Arbitration. An approved inter-dealer bond broker shall include in its agreement with each of its customers a provision that in the event any disagreement arises among customers (except that where one or both customers is or are non-residents of Canada, this section does not apply if inconsistent with applicable requirements under the laws of another jurisdiction), or among customers and the inter-dealer bond broker, involving a financial loss not in excess of $100,000, and the responsibility for which the parties cannot agree, then every such disagreement shall be referred to arbitration pursuant to the Arbitrations Act (Ontario) and the following provisions shall govern any arbitration thereunder:

(a) The disagreement shall be determined by arbitration by three (3) arbitrators, one of whom shall be the Chair of the Bond Trading Committee, or his or her designate in the event the Chair is involved, directly or indirectly, in the disagreement. The parties to the disagreement shall choose one of the other two arbitrators from among all approved inter-dealer bond brokers and all customers of all approved inter-dealer bond brokerage systems, but the third arbitrator shall have no connection with either a customer or an inter-dealer bond broker and the choice of such two arbitrators shall be by unanimous consent of the parties to the disagreement; except that if the parties to the disagreement cannot identify one or both of the other arbitrators by unanimous consent, then the selection of that arbitrator or those arbitrators may be made by a judge of the Supreme Court of Ontario on application by any party;

(b) Subject to adequate co-operation from the parties to the arbitration, the arbitrators shall make their award within two (2) weeks after having been appointed so to act by notice in writing or on or before such later date to which the parties to the disagreement may enlarge the time for making the award; and

(c) There shall be no appeal from the award of arbitrators in accordance with the provisions of the Arbitrations Act.

RULE 2800
CODE OF CONDUCT FOR CORPORATION DEALER MEMBER FIRMS TRADING IN WHOLESALE DOMESTIC DEBT MARKETS

Preface

Purpose

Rule 2800 describes the standards for trading by market participants in wholesale domestic Canadian debt markets. This Corporation policy was developed jointly with the Bank of Canada and Department of Finance to ensure the integrity of Canadian debt securities markets and thereby to encourage liquidity, efficiency and the maintenance of active trading and lending and promote public confidence in such debt markets.

In its application to Corporation Dealer Member Firms, Rule 2800 is supplementary to and explanatory of the Rules of the Corporation. It does not replace or restrict the application of the Rules to the wholesale domestic debt market.

History

In the spring of 1998 the Bank of Canada and Department of Finance introduced several initiatives, in consultation with the Investment Dealers Association (a predecessor organization of the Investment Industry Regulatory Organization of Canada) and other market participants, to maintain a well-functioning market in Government of Canada securities.

These actions were prompted by what was perceived as potential challenges to the liquidity and integrity of debt markets, including such factors as declining benchmark issue size in response to falling government borrowing requirements, the predominance of heavily capitalized market-makers and the emergence of levered market participants.

The federal government has defined its jurisdiction over domestic debt markets as the new issue or primary markets for Government of Canada securities. Since the liquidity and integrity of secondary markets are also at risk from reduced issue size, and capitalized and levered market participants, the Investment Dealers Association worked with the Bank of Canada and Department of Finance to develop a formal code of conduct for dealing practices in wholesale (i.e. institutional) domestic debt markets. This code of business conduct is embodied for Corporation Dealer Members in Rule 2800, and is intended by the participants in its development to be applicable in principle to all participants in wholesale domestic markets. It complements the federal government's objective to safeguard the liquidity and integrity of domestic markets.

The Corporation and the Provincial securities regulatory authorities (collectively the Canadian Securities Administrators (CSA)) also have in place specific and general rules that regulate domestic secondary market trading carried out by Corporation member firms. Rule 2800 provides further amplification and, in some cases, broader application of these rules in relation to domestic debt markets.

In 2002 the CSA and Corporation conducted, through an independent consultant, a survey of domestic debt market participants, including Dealer Members, to determine whether they were encountering any problems in the debt market. The survey was followed by reviews of a number of Corporation Dealer Members by Corporation Staff to further delineate the issues, one of which was the difficulty of developing operational and supervisory procedures from the general provisions of Rule 2800. In 2004 the Corporation struck a committee to revise Rule 2800. That committee has worked with the Bank of Canada and the Department of Finance to develop this version of Rule 2800.

Application

While Rule 2800 applies directly only to Corporation member firms and their related companies (as defined in Rule 1.1), which play an active and integral role in domestic debt markets, this code of conduct should also guide the actions of all other market participants. Examples of such market participants are chartered banks, which play a role in the marketplace analogous to Corporation member firms, insurance companies, money managers, pension funds, mutual funds and hedge funds. The Bank of Canada and the Department of Finance are joining the Corporation in taking steps to make these institutions aware of the Corporation code of conduct and encourage them to adopt and enforce similar rules. Dealer Members should also promote the standards established in this Rule among their affiliates, customers, and counterparties

Aspects of the Rule require the co-operation of affiliates and customers of Dealer Members, for example in reporting and certain disclosure, and Dealer Members are expected to conduct their business in a way that will encourage compliance with the Rule by affiliates, customers and counterparties to the extent applicable.

Moreover, dealings between Dealer Members, their related companies, affiliates, customers and other counterparties must be on terms which are consistent with this Rule and such dealings shall be deemed to include any terms necessary for a party to implement or comply with this Rule. Dealer Members must not condone or knowingly facilitate conduct by their affiliates, customers or counterparties that deviates from this Rule and its purpose of maintaining and promoting public confidence in the integrity of the Domestic Debt Market. Subject to Applicable Law, the surveillance provisions of this Rule require reporting to the Corporation or appropriate authorities of the failure, or suspected failure, of Dealer Members, their affiliates, customers and counterparties to comply with this Rule.

Dealer Members generally are responsible for the conduct of their partners, directors, officers, registrants and other employees and compliance by such persons with the Rules of the Corporation pursuant to Rule 29.1. In addition, partners, directors, officers, registrants and other employees of Dealer Members and their related companies are expected to comply with the Rules of the Corporation and other regulatory requirements, and this Rule is to be construed as being applicable to related companies and such persons whenever reference is made to a Dealer Member.

Implementation and Compliance Expectations

Rule 2800 sets out specific requirements for dealing with customers and counterparties, including that customer dealings be carried out on a confidential basis, and standards related to market conduct. As with all Rules, the Corporation expects member firms that are involved in wholesale domestic debt markets to have in place written policies and procedures relating to their dealings with customers and trading. Such policies and procedures must address both Rule 2800 and all other Corporation and CSA regulations related to the Dealer Member's whole domestic debt market activities. These policies and procedures must be readily available to relevant employees, who must be properly trained and qualified. Internal controls and operating systems must be in place to support compliance.

The Corporation will audit Dealer Member's sales and trading activities in the Domestic Debt Markets to ensure compliance with this Rule.

The Rule also provides for 'on demand' reporting to the Corporation of large securities positions held by dealers or traded with customers, if market circumstances warrant the need for such information.

The terms of the Rule are binding on Dealer Members and all related companies of Dealer Members and failure to comply with the Rule may subject a Dealer Member, a related company or their personnel to sanctions pursuant to the enforcement and disciplinary Rules of the Corporation. The disciplinary Rules of the Corporation provide for a wide range of sanctions, including fines of up to the greater of $5,000,000 per offence for Dealer Members ($1,000,000 per offence for Approved Persons) or triple the amount of the benefit from the breach, reprimands, suspension or termination of approval or expulsion. Notice of such sanctions is given to the public and government and other regulatory authorities in accordance with the Rules. In addition, other government or regulatory authorities such as the Bank of Canada, Department of Finance (Canada) or provincial securities regulatory authorities may, in their discretion, impose formal or informal sanctions including, in the case of Government of Canada securities, the suspension or removal by the Bank of Canada of eligible bidder status for auctions of such securities.

The Rule, together with applicable securities legislation, the auction rules and Terms of Participation for Primary Dealers and Government Securities Distributors, will ensure proper conduct of market participants at auctions of Government of Canada securities, in other primary markets and in secondary markets, and will result in the close coordination between federal authorities, the CSA, Corporation member firms and the Corporation in the exchange of detailed market information and the enforcement of proper market conduct.

1. Definitions

The following terms used in this Rule shall have the meanings indicated:

"Applicable Laws" means the common or civil law or any statute or regulation of any jurisdiction in which Dealer Members and their related companies trade in the Domestic Debt Market, or any rule, policy, regulation, directive, order or other requirement of any regulatory

authority, exchange or self-regulatory organization applicable to trading in, or having jurisdiction over, the Domestic Debt Market and/or Dealer Members or their related companies.

"**Domestic Debt Market**" means any Canadian wholesale debt market in which Dealer Members participate as dealers on their own account as principal, as agent for customers, as primary distributors or jobbers as approved by the Bank of Canada or in any other capacity and in respect of any debt or fixed income securities issued by any government in Canada or any Canadian institution, corporation or other entity or any derivative instruments thereon, and includes, without limitation, repo, security lending and other specialty or related debt markets.

"**Rules**" means the Rules, Rulings and Forms of the Investment Industry Regulatory Organization of Canada, from time to time in effect.

2. Dealer Member Standards and Procedures

2.1 Policies and Procedures

Dealer Members shall have written policies and procedures relating to trading in the Domestic Debt Market and the matters identified in this Rule. Such policies and procedures shall be approved by the board of directors of the Dealer Member or an appropriate level of senior management and by the Corporation. The policies and procedures must be established and implemented by senior management and must be periodically reviewed to ensure that they are appropriate to the size, nature and complexity of the Dealer Member's business and remain appropriate as such business and market circumstances change.

2.2 Responsibility

Dealer Members shall ensure that all personnel engaged in Members' trading activities in the Domestic Debt Market are properly qualified and trained, are aware of all Applicable Laws, this Rule and internal policies and procedures relating to Domestic Debt Market Trading and are supervised by appropriate levels of management.

2.3 Controls and Compliance

Dealer Members shall maintain and enforce internal control and compliance procedures as part of the policies and procedures required in paragraph 2.1 above to ensure that trading in Domestic Debt Markets by the Dealer Member is in accordance with Applicable Laws and this Rule.

2.4 Confidentiality

Dealer Members shall ensure that dealings in the Domestic Debt Market with customers and counterparties is on a confidential basis. Except with the express permission of the party concerned or as required by Applicable Law or Rules (including requests for information or reporting by the Corporation or by the Bank of Canada), Dealer Members shall not disclose or discuss, or request that others disclose or discuss, the participation of any customer or counterparty in the Domestic Debt Market or the terms of any trading or anticipated trading by such customer or counterparty. In addition, Dealer Members shall ensure that their own trading activities are kept confidential including information with respect to customers and trading and planning strategies. The policies and procedures adopted to ensure confidentiality should

restrict access to information to the personnel that require it to properly perform their job functions, confine trading to "restricted access" office areas by designated personnel and encourage the use of secure forms of communications and technology (e.g. careful use of cell or speaker phones, secure systems access and close supervision).

2.5 Resources and Systems

Dealer Members must devote adequate human, financial and operational resources to their trading activities in the Domestic Debt Market. Further, Dealer Members must implement operation and technological safeguards to ensure that their trading activities in the Domestic Debt Markets can be fully supported. This requirement contemplates not only that the Dealer Member have sufficient capital, liquidity support and personnel, but also that it have comprehensive operational systems appropriate for Domestic Debt Market trading such as all aspects of risk management (market, credit, legal, etc.), transaction valuation, technology and financial reporting.

3. Dealings with Customers and Counterparties

3.1 Know-Your-Client and Suitability

Dealer Members must learn the essential facts about every customer, order and account accepted and to ensure the suitability of investment recommendations made to a customer. This applies to Dealer Members dealing with all customers that trade in the Domestic Debt Market. Rule 2700 establishes minimum standards of supervision necessary to ensure compliance with Rule 1300.1 in dealings with institutional clients and will be applicable to dealings with customers in the Domestic Debt Market.

3.2 Conflicts of Interest

Good business conduct as well as provisions of the other Rules of the Corporation and Applicable Law require that Dealer Members avoid conflicts of interest in their dealings with customers, counterparties and the public. Such conflicts can arise in many different circumstances but one of the underlying principles is that a fair, efficient and liquid Domestic Debt Market relies in part on open and unbiased dealings by Dealer Members, and fulfillment by Dealer Members of their duties to customers before their own interests or those of their personnel. The policies and procedures of Dealer Members should clearly describe the standards of conduct for Dealer Members and personnel. Examples of some of the matters to be included in the policies and procedures are restrictions and controls for trading in the accounts of Members' personnel, prohibition of the use of inside information and practices such as front running, fair client priority and allocation standards and prompt and accurate disclosure to customers and counterparties where any apparent but unavoidable conflict of interest arises.

4. Market Conduct

4.1 Duty to Deal Fairly

Dealer Members must observe high standards of ethics and conduct in the transaction of their business and prohibit any business conduct or practice which is unbecoming or detrimental to the public interest. Dealer Members must act fairly, honestly and in good faith when marketing, entering into, executing and administering trades in the Domestic Debt Market.

4.2 Criminal and Regulatory Offences

Dealer Members shall ensure that their trading in the Domestic Debt Market does not contravene any Applicable Law including, without limitation, money laundering, criminal or provincial securities legislation or the directions or requirements of the Bank of Canada or the Department of Finance (Canada) whether or not such directives or requirements are binding or have the force of law.

4.3 Prohibited Practices

Without limiting the generality of the foregoing, no Dealer Member or partner, officer, director, employee or agent of a Dealer Member shall:

(a) engage in any trading practices in the Domestic Debt Market that are fraudulent, deceptive or manipulative; such as

(1) executing trades which are primarily intended to artificially increase trading volumes;

(2) executing trades which are primarily intended to artificially increase or decrease trading prices;

(3) spreading, or acquiescing or assisting in the spreading, of any rumours or information regarding issuers or the Domestic Debt Market that the Dealer Member or partner, director, officer, employee or agent of the Dealer Member knows or believes, or reasonably ought to know or believe, to be false or misleading;

(4) disseminating any information that falsely states or implies governmental approval of any institution or trading; or

(5) conspiring or colluding with another market participant to manipulate or unfairly deal in the Domestic Debt Market

(b) engage in any trading which takes unfair advantage of customers, counterparties or material non-public information, such as:

(1) acting on specific knowledge of a new issue or client order in such a way as to unfairly profit from the expected resultant market movement and/or distort market levels;

(2) executing 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;

(3) using proprietary information, the release of which could reasonably be expected to affect market prices, to profit unfairly;

(4) using material, non public information which may reasonably be expected to affect prices in the Domestic Debt Market, for gain; or

(5) abusing market procedures or conventions to obtain an unfair advantage over, or to unfairly prejudice, its counterparties or customers;

(6) consummating a trade where the price is clearly outside the context of the prevailing market and has been proposed or agreed as a result of manifest error.

(c) engage in any trading in derivatives on Domestic Debt Market instruments in contravention of the above prohibitions;

(d) accept any order from or effect any trade with another Domestic Debt Market participant if the Dealer Member knows or has reasonable grounds to believe that the other participant is, by giving the order or conducting the trade, contravening this Rule 2800 or any Applicable Laws;

(e) accept or permit any associate to accept, directly or indirectly, any material remuneration, benefit or other consideration from any person other than the Dealer Member or its affiliates or its related companies, in respect of the activities carried out by such partner, officer, director, employee or agent on behalf of the Dealer Member or its affiliates or its related companies in connection with the sale or placement of securities on behalf of any of them;

(f) give, offer or agree to give or offer, directly or indirectly, to any partner, director, officer, employee, shareholder or agent of a customer, or any associate of such persons, a material advantage, benefit or other consideration in relation to any business of the customer with the Dealer Member, unless the prior written consent of the customer has first been obtained.

4.4 Market Conventions and Clear Communication

Dealer Members shall use clear and unambiguous language in course of their trading activities, particularly when negotiating trades on the Domestic Debt Market. Each kind of trading in the Domestic Debt Market has its own unique terminology, definitions and calculations and a Dealer Member shall, prior to engaging in any trading, familiarize itself with the terminology and conventions relevant to that type of trading.

5. Enforcement

5.1 Corporation Procedures to Apply

Compliance by Dealer Members with the terms of this Rule will be enforced in accordance with the general compliance, investigative and disciplinary Rules of the Corporation.

5.2 Surveillance

Careful surveillance of the Domestic Debt Market and the trading activities of market participants is required to ensure that the objectives of this Rule are achieved. Dealer Members and their related companies are responsible for monitoring their trading and the conduct of their employees and agents. Dealer Members have an obligation to report promptly to the Corporation or any other authority having jurisdiction, including the Bank of Canada, breaches of the Rule or suspicious or irregular market conduct. Dealer Members should also encourage their customers or counter-parties who raise concerns about any Domestic Debt Market activity or participants to report such concerns to the relevant authorities.

5.3 Net Position Reports

As part of the surveillance of Domestic Debt markets, the Corporation may require a Dealer Member and its related companies to file the Corporation Net Position Report. Net Position

Reports may be requested by either the Bank of Canada (for Government of Canada securities), or by the Corporation. The request for a report, and associated requests for information required to clarify individual Dealer Member's reports, would be undertaken as a preliminary step to identify large holdings of securities that could have allowed a participant to have undue influence or control over the Government of Canada, provincial, municipal or corporate debt markets.

RULE 2800B
RETAIL DEBT MARKET TRADING AND SUPERVISION

Purpose

Rule 2800B describes the standards for trading and supervision by Corporation Dealer Members of retail domestic debt market activity.

Rule 2800B is supplementary to and explanatory of the Rules of the Corporation. It does not replace or restrict the application of the Rules to the retail domestic debt market.

1. Definitions

"**Retail Debt Market Trading**" means trading conducted by Dealer Members, whether as principal or agent, to fill orders received from a retail customer for any debt or fixed income securities or any derivative instruments thereon including, without limitation, repo, security lending and other specialty or related debt markets.

"**Retail Customer**" means a customer of the Dealer Member that is not an institutional client as defined in Rule 2700.

2. Dealer Member Policies and Procedures

Dealer Members shall have written policies and procedures relating to trading in the Retail Debt Market and the matters identified in this Rule. Such policies and procedures shall be approved by the board of directors of the Dealer Member or an appropriate level of senior management and by the Corporation. The policies and procedures must be established and implemented by senior management and must be periodically reviewed to ensure that they are appropriate to the size, nature and complexity of the Dealer Member's business and remain appropriate as such business and market circumstances change.

3. Commissions and Mark-Ups

Dealer Members must have written procedures or guidelines issued to its registered representatives regarding mark-ups or commissions on debt or fixed income securities sold to the Dealer Member's retail customers. The Dealer Member must have reasonable monitoring procedures to detect and monitor mark-ups or commissions which exceed those specified in the written procedures or guidelines and ensure that such mark-up or commission is justified in the reasonable judgment of the Dealer Member.

4. Market Conduct

4.1 Duty to Deal Fairly

Dealer Members must observe high standards of ethics and conduct in the transaction of their business and prohibit any business conduct or practice which is unbecoming or detrimental to the public interest. Dealer Members shall act fairly, honestly and in good faith when marketing, entering into, executing and administering trades in the Retail Debt Market.

4.2 Prohibited Practices

Without limiting the generality of the foregoing, no Dealer Member or partner, officer, director, employee or agent of a Dealer Member shall:

(a) engage in any trading practices in the Retail Debt Market that are fraudulent, deceptive or manipulative; such as

(1) executing trades which are primarily intended to artificially increase trading volumes;

(2) executing trades which are primarily intended to artificially increase or decrease trading prices;

(3) spreading, or acquiescing or assisting in the spreading, of any rumours or information regarding issuers that the Dealer Member or partner, director, officer, employee or agent of the Dealer Member knows or believes, or reasonably ought to know or believe, to be false or misleading;

(4) disseminating any information that falsely states or implies governmental approval of any institution or trading; or

(5) conspiring or colluding with another registrant to manipulate or unfairly deal in the Retail Debt Market.

(b) engage in any trading which takes unfair advantage of customers, counterparties or material non-public information, such as:

(1) acting on specific knowledge of a new issue or client order in such a way as to unfairly profit from the expected resultant market movement and/or distort market levels;

(2) executing 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;

(3) using proprietary information, the release of which could reasonably be expected to affect market prices, to profit unfairly;

(4) using material, non public information which may reasonably be expected to affect prices in the Domestic Debt Market, for gain; or

(5) abusing market procedures or conventions to obtain an unfair advantage over, or to unfairly prejudice, its counterparties or customers;

(6) consummating a trade where the price is clearly outside the context of the prevailing market and has been proposed or agreed as a result of manifest error.

(c) engage in any trading in derivatives on debt market instruments in contravention of the above prohibitions.

(d) accept any order from or effect any trade for a retail customer if the Dealer Member knows or has reasonable grounds to believe that the customer is, by giving the order or conducting the trade, contravening this Rule 2800B or any statute or regulation, or any rule, policy, directive, order or other requirement of any regulatory authority, exchange or self-regulatory organization governing the Dealer Member or the market in which the trade will be effected.