

**MUTUAL FUND DEALER MEMBER**

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(Member Name)

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(Date)

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## FORM 1 – GENERAL NOTES AND DEFINITIONS

### GENERAL NOTES:

1. Each Member must comply with the requirements in Form 1 as approved and amended from time to time by the board of directors of the Corporation.

Form 1 is a special purpose report that includes financial statements and schedules, and is to be prepared in accordance with International Financial Reporting Standards (IFRS), except as prescribed by the Corporation. Each Member must complete and file all of these statements and schedules.

2. The following are Form 1 IFRS departures as prescribed by the Corporation:

|   | <b>Prescribed IFRS departure</b>   |
|---|--|
| Trading balances  | When reporting trading balances relating to Member and client securities and other investment transactions, the Corporation allows the netting of receivables from and payables to the same counterparty.  |
| Preferred shares  | Preferred shares issued by the Member and approved by the Corporation are classified as shareholders' capital.   |
| Presentation  | Statements A and D contain terms and classifications (such as allowable and non-allowable assets) that are not defined under IFRS. In addition, specific balances may be classified or presented on Statements A, D and E in a manner that differs from IFRS requirements. The General Notes and Definitions, and the applicable Notes and Instructions to the Statements, should be followed in those instances where departures from IFRS presentation exists.<br><br>Statements B, C and F are supplementary financial information, which are not statements contemplated under IFRS. |
| Separate financial statements on a non-consolidated basis | Consolidation of subsidiaries is not permitted for regulatory reporting purposes except for related companies that meet the definition of "related Member" in General By-law No. 1 and the Corporation has approved the consolidation.<br><br>Because Statement D only reflects the operational results of the Member, a Member must not include the income (loss) of an investment accounted for by the equity method.  |
| Statement of cash Flow                                    | A statement of cash flow is not required as part of Form 1.  |
| Valuation   | Securities are to be valued and reported at "market value of securities".  |

3. The following are Form 1 prescribed accounting treatments based on available IFRS alternatives:

|   | <b>Prescribed accounting treatment</b>  |
|---|---|
| Hedge accounting                                    | Hedge accounting is not permitted for regulatory reporting purposes. All security and derivative positions of a Member must be marked-to-market at the reporting date. Gains or losses of the hedge positions must not be deferred to a future point in time.   |
| Securities owned and sold short as held-for-trading | A Member must categorize all investment positions as held-for-trading financial instruments. These security positions must be marked-to-market.<br><br>Because the Corporation does not permit the use of available for sale and hold-to-maturity categories, a Member must not include other comprehensive income (OCI) and will not have a corresponding reserve account relating to marking-to-market available for sale security positions. |
| Valuation of a Subsidiary                           | A Member must value subsidiaries at cost.   |

4. These statements and schedules should be read in conjunction with General By-Law No. 1, and the Rules of the Corporation.

5. For purposes of these statements and schedules, the accounts of related companies that meet the definition of “related Member” in General By-law No. 1 may be consolidated.
6. For purposes of the statements and schedules, the capital calculations must be on a trade date reporting basis unless specified otherwise in the Notes and Instructions to Form 1.
7. Comparative figures on all statements are required only at the audit date. As a transition exemption for the changeover to International Financial Reporting Standards (IFRS) from Canadian Generally Accepted Accounting Principles (CGAAP), Members are not required to file comparative information for the preceding financial year as part of the first audited Form 1 under IFRS.
8. All statements and schedules must be expressed in Canadian dollars and must be rounded to the nearest dollar.
9. Supporting details should be provided, as required, showing a breakdown of any significant amounts that have not been clearly described on the statements and schedules.
10. **Mandatory security counts.** Securities held in segregation and safekeeping must be counted once in the year in addition to the count as at the year-end audit date.
11. **Mandatory reconciliations.** Reconciliations must be performed monthly in addition to the year-end audit date between the Member's records and the records of the depository or custodian where the Member holds its own and client securities in nominee name accounts.

#### **DEFINITIONS:**

1. **“acceptable entity”** means:
  - (a) Acceptable institutions.
  - (b) Government of Canada, the Bank of Canada and Provincial Governments.
  - (c) Insurance companies licensed to do business in Canada or a province thereof.
  - (d) Canadian provincial capital cities and all other Canadian cities and municipalities, or their equivalents.
  - (e) All crown corporations, instrumentalities and agencies of the Canadian federal or provincial governments which are government guaranteed as evidenced by a written unconditional irrevocable guarantee or have a call on the consolidated revenue fund of the federal or provincial governments.
  - (f) Canadian pension funds which are regulated either by the Office of Superintendent of Financial Institutions or a provincial pension commission.
  - (g) Corporations (other than Regulated Entities) with a minimum net worth of \$75 million on the last audited balance sheet, provided acceptable financial information with respect to such corporation is available for inspection.
  - (h) Members of the Corporation.
  - (i) Regulated entities.
2. **“acceptable institutions”** means:
  - (a) Canadian banks, Quebec savings banks, trust companies licensed to do business in Canada or a province thereof.
  - (b) Credit and central credit unions and regional caisses populaires.
3. **“acceptable securities locations”** means those entities considered suitable to hold securities on behalf of a Member, for both inventory and client positions, without capital penalty, given that the locations meet the requirements outlined in the segregation Rules of the Corporation including, but not limited to, the requirement for a written custody agreement outlining the terms upon which such securities are deposited and including provisions that no use or disposition of the securities shall be made without the prior written consent of the Member and the securities can be delivered to the

Member promptly on demand. The Corporation will maintain and regularly update a list of those foreign depositories and clearing agencies that comply with these criteria. The entities are as follows:

- (a) Depositories
    - i. Canada CDS Clearing and Depository Services Inc.
    - ii. United States Depository Trust Company
  - (b) Government of Canada, the Bank of Canada and Provincial Governments.
  - (c) Canadian banks, Quebec savings banks, trust companies and loan companies licensed to do business in Canada or a province thereof.
  - (d) Credit and central credit unions and regional caisses populaires.
  - (e) Insurance companies licensed to do business in Canada or a province thereof.
  - (f) Mutual Funds or their Agents – with respect to security positions maintained as a book entry of securities issued by the mutual fund and for which the mutual fund is unconditionally responsible.
  - (g) Regulated entities.
4. **“regulated entities”** means those Dealer Members that are covered by the IPF or Members of recognized exchanges and associations. For the purposes of this definition, recognized exchanges and associations are those that are identified as a "regulated entity" under the Investment Dealer and Partially Consolidated Rules.
5. **"market value of a security "** means:
- (a) For securities, precious metals bullion and commodity futures contracts quoted on an active market, the published price quotation using:
    - i. 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 business on the relevant date or last trading date prior to the relevant date, as the case may be.
    - ii. for unlisted investment funds, the net asset value provided by the manager of the fund on the relevant date.
    - iii. 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.
    - iv. for commodity futures contracts, the settlement price on the relevant date or last trading day prior to the relevant date.
    - v. 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.
    - vi. 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 (v) and the commitment price is to be determined in the same manner using the yield stated in the repurchase commitment.
    - vii. for money market repurchases with borrower call features, the borrower call price.
  - (b) Where a determination respecting market value is made pursuant to the provisions of 5(a)(i) – (vii), that determination must include any price adjustments considered by the Member to be necessary to accurately reflect the market value.
  - (c) Where a reliable price for the security, precious metals bullion or commodity futures contract cannot be determined:
    - i. 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
    - ii. where no observable market data-related inputs are available, the value determined by using unobservable inputs and assumptions; or
    - iii. where insufficient recent information is available and/or there is a wide range of possible values and cost represents the best value estimate within that range, cost.
  - (d) Where a value cannot be reliably determined under subsections 5(a) and 5(c) above, no value shall be reported.

# FORM 1 – CERTIFICATE OF PARTNERS OR DIRECTORS

\_\_\_\_\_  
(Member Name)

I/We have examined the attached statements and schedules and certify that, to the best of my/our knowledge, they present fairly the financial position and capital of the Member at \_\_\_\_\_ and the results of  
*(date)*  
operations for the period then ended, and are in agreement with the books of the Member.

I/We certify that the following information is true and correct to the best of my/our knowledge for the period from the last audit to the date of the attached statements which have been prepared in accordance with the current requirements of the Canadian Investment Regulatory Organization:

ANSWERS

1. Do the attached statements fully disclose all assets and liabilities including the following:
  - (a) All future purchase and sales commitments? \_\_\_\_\_
  - (b) Writs issued against the Member or partners or any other litigation pending? \_\_\_\_\_
  - (c) Income tax arrears? \_\_\_\_\_
  - (d) Other contingent liabilities, guarantees, accommodation, endorsements or commitments affecting the financial position of the Member? \_\_\_\_\_
2. Does the Member promptly segregate clients' cash and securities in accordance with the Rules? \_\_\_\_\_
3. Does the Member determine on a regular basis its segregation amount and act promptly to segregate assets as appropriate in accordance with the Rules? \_\_\_\_\_
4. Does the Member carry insurance of the type and in the amount required by the Rules? \_\_\_\_\_
5. Does the Member monitor on a regular basis its adherence to early warning requirements in accordance with the Rules? \_\_\_\_\_
6. Does the Member perform regular reconciliations of its trust accounts in accordance with the Rules? \_\_\_\_\_
7. Does the Member perform regular reconciliations of its transactions with fund company and other financial institution records in accordance with the Rules? \_\_\_\_\_
8. Does the Member have adequate internal controls in accordance with the Rules? \_\_\_\_\_
9. Does the Member maintain adequate books and records in accordance with the Rules? \_\_\_\_\_

\_\_\_\_\_  
*[date]*

**Name and Title - Please print**

**Signature**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**CERTIFICATE OF PARTNERS OR DIRECTORS  
NOTES AND INSTRUCTIONS**

1. Details must be given for any “no” answers.
2. To be signed by two of either:
  - (a) Ultimate Designated Person (UDP)
  - (b) Chief Executive Officer
  - (c) Chief Financial Officer
  - (d) Chief Accountant
  - (e) One Director or Partner not included in (a), (b), (c) or (d) above.

Where there is only one individual that meets the qualifications of the positions listed above, this individual must sign the certificate.

3. Two copies with original signatures must be provided to the Corporation.

## INDEPENDENT AUDITOR'S REPORT FOR STATEMENTS A, D AND E

To: Canadian Investment Regulatory Organization and Canadian Investor Protection Fund

### Opinion

We have audited the Statements of Form 1 of \_\_\_\_\_ (the Member), which comprise:

Statement A - Statements of financial position as at  
\_\_\_\_\_ and \_\_\_\_\_  
(date) (date)

Statement D - Statements of income and comprehensive income for the years ended  
\_\_\_\_\_ and \_\_\_\_\_  
(date) (date)

Statement E - Statements of changes in capital for the year ended \_\_\_\_\_ and  
\_\_\_\_\_ (date)  
changes in retained earnings (or undivided profits) for the years ended  
\_\_\_\_\_ and \_\_\_\_\_  
(date) (date)

and notes to the Statements, including a summary of significant accounting policies (collectively referred to as the Statements). In our opinion, the accompanying Statements present fairly, in all material respects, the financial position of the Member as at \_\_\_\_\_ and \_\_\_\_\_, and the results of its  
(date) (date)

operations for the years then ended in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Canadian Investment Regulatory Organization ("CIRO").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Statements* section of our report. We are independent of the Member in accordance with the ethical requirements that are relevant to our audit of the Statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter - Basis of Accounting

We draw attention to Note \_\_\_\_\_ to the Statements which describes the basis of accounting.  
(note)

The Statements are prepared to assist the Member in complying with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by CIRO. As a result, the Statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

### [Optional wording to either be removed or customized by respective audit firms] Material Uncertainty related to Going Concern

We draw attention to Note \_\_\_\_\_ in the Statements which indicates that [insert key events and  
(note)  
conditions that resulted in the material uncertainty]. As stated in Note \_\_\_\_\_ in the Statements,  
(note)  
these events and conditions, along with other matters as set forth in Note \_\_\_\_\_ in the Statements,  
(note)  
indicate that a material uncertainty exists that may cast significant doubt on the Member's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## **Other Matter - Unaudited Information**

We have not audited the information in Schedule 5 of Part II of Form 1 and accordingly, do not express an opinion on the schedule.

## **Other Matter – Restriction on Use [Optional wording to either be removed or customized by audit firms]**

Our report is intended solely for the Member, CIRO and the Canadian Investor Protection Fund (“CIPF”) and should not be used by parties other than the Member, CIRO and CIPF.

## **Responsibilities of Management and Those Charged with Governance for the Statements**

Management is responsible for the preparation and fair presentation of the Statements in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by CIRO and for such internal control as management determines is necessary to enable the preparation of Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Statements, management is responsible for assessing the Member’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Member or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Member’s financial reporting process.

## **Auditor’s Responsibilities for the Audit of the Statements**

Our objectives are to obtain reasonable assurance about whether the Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Member’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Member’s ability to continue as a going concern. If we conclude



that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Member to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the Statements, including the disclosures, and whether the Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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[Audit Firm]

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[Signature of the name of the audit firm]

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[Auditor address]

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[Date]

## INDEPENDENT AUDITOR'S REPORT FOR STATEMENTS B, C AND F

**To: Canadian Investment Regulatory Organization and Canadian Investor Protection Fund**

### Opinion

We have audited the Statements of Form 1 of \_\_\_\_\_ (the Member),  
which comprise:

Statement B - Statements of risk adjusted capital as at \_\_\_\_\_ and \_\_\_\_\_  
(date) (date)

Statement C - Statement of early warning excess as at \_\_\_\_\_  
(date)

Statement F – Statement of changes in subordinated loans for the year ended \_\_\_\_\_  
(date)

(collectively referred to as the Statements).

In our opinion, the accompanying Statement B as at \_\_\_\_\_ and \_\_\_\_\_,  
(date) (date)

Statement C as at \_\_\_\_\_ and Statement F for the year ended \_\_\_\_\_ are  
(date) (date)

prepared, in all material respects, in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by the Canadian Investment Regulatory Organization (“CIRO”).

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Statements* section of our report. We are independent of the Member in accordance with the ethical requirements that are relevant to our audit of the Statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter - Basis of Accounting

We draw attention to Note \_\_\_\_\_ to the Statements which describes the basis of accounting.  
(note)

The Statements are prepared to assist the Member in complying with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by CIRO. As a result, the Statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

### [Optional wording to either be removed or customized by respective audit firms] Material Uncertainty related to Going Concern

We draw attention to Note \_\_\_\_\_ in the Statements which indicates that [insert key events and  
(note)  
conditions that resulted in the material uncertainty]. As stated in Note \_\_\_\_\_ in the Statements,  
(note)  
these events and conditions, along with other matters as set forth in Note \_\_\_\_\_ in the Statements,  
(note)  
indicate that a material uncertainty exists that may cast significant doubt on the Member's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## **Other Matter - Unaudited Information**

We have not audited the information in Schedule 5 of Part II of Form 1 and accordingly, do not express an opinion on the schedule.

## **Other Matter – Restriction on Use [Optional wording to either be removed or customized by audit firms]**

Our report is intended solely for the Member, CIRO and the Canadian Investor Protection Fund (“CIPF”) and should not be used by parties other than the Member, CIRO and CIPF.

## **Responsibilities of Management and Those Charged with Governance for the Statements**

Management is responsible for the preparation of the Statements in accordance with the financial reporting provisions of the Notes and Instructions to Form 1 prescribed by CIRO, and for such internal control as management determines is necessary to enable the preparation of Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Statements, management is responsible for assessing the Member’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Member or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Member’s financial reporting process.

## **Auditor’s Responsibilities for the Audit of the Statements**

Our objectives are to obtain reasonable assurance about whether the Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Member’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Member’s ability to continue as a going concern. If

we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Member to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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[Audit Firm]

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[Signature of the name of the audit firm]

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[Auditor address]

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[Date]

**FORM 1 – INDEPENDENT AUDITOR’S REPORTS  
NOTES AND INSTRUCTIONS**

A measure of uniformity in the form of the auditor’s reports is desirable in order to facilitate identification of circumstances where the underlying conditions are different. Therefore, when auditors are able to express an unqualified opinion, their reports should take the form of the auditor’s reports shown above.

Any limitations in the scope of the audit must be discussed in advance with the Corporation. Discretionary scope limitations will not be accepted. Any emphasis of matter in the auditor’s reports must be discussed in advance with the Corporation.

Two copies with original signatures must be provided to the Corporation.

# FORM 1, PART I – STATEMENT A

\_\_\_\_\_  
 (Member Name)  
**STATEMENT OF FINANCIAL POSITION**  
 at \_\_\_\_\_

| REFERENCE   |   | NOTES | (CURRENT<br>YEAR)<br>C\$ | (PREVIOUS<br>YEAR)<br>C\$ |
|---|---|-------|--------------------------|---------------------------|
| <b>LIQUID ASSETS:</b>   |   |       |                          |                           |
| 1.  | Cash on deposit with acceptable institutions            | ----- | -----                    | -----                     |
| 2.  | Client funds held in trust with acceptable institutions | ----- | -----                    | -----                     |
| 3.  | Sch.1 Securities owned at market value                  | ----- | -----                    | -----                     |
| 4.  | Receivable from carrying dealer or mutual fund          | ----- | -----                    | -----                     |
| 5.  | Trading balances  | ----- | -----                    | -----                     |
| 6.  | <b>TOTAL LIQUID ASSETS</b>                              | ----- | -----                    | -----                     |
| <b>OTHER ALLOWABLE ASSETS [Receivables from Acceptable Entities]:</b> |   |       |                          |                           |
| 7.  | Interest and dividends receivable                       | ----- | -----                    | -----                     |
| 8.  | Sch.3 Current income tax assets                         | ----- | -----                    | -----                     |
| 9.  | Recoverable and overpaid taxes                          | ----- | -----                    | -----                     |
| 10.   | Other receivables [provide details]                     | ----- | -----                    | -----                     |
| 11.   | <b>TOTAL OTHER ALLOWABLE ASSETS</b>                     | ----- | -----                    | -----                     |
| 12.   | <b>TOTAL ALLOWABLE ASSETS [line 6 plus line 11]</b>     | ----- | -----                    | -----                     |
| <b>NON ALLOWABLE ASSETS:</b>  |   |       |                          |                           |
| 13.   | Sch.2 Client debit balances                             | ----- | -----                    | -----                     |
| 14.   | Deferred tax assets                                     | ----- | -----                    | -----                     |
| 15.   | Intangible assets                                       | ----- | -----                    | -----                     |
| 16.   | Property, plant and equipment                           | ----- | -----                    | -----                     |
| 17.   | Finance lease assets                                    | ----- | -----                    | -----                     |
| 18.   | Due from related parties [provide details]              | ----- | -----                    | -----                     |
| 19.   | Investments in subsidiaries and affiliates              | ----- | -----                    | -----                     |
| 20.   | Other assets [provide details]                          | ----- | -----                    | -----                     |
| 21.   | <b>TOTAL NON ALLOWABLE ASSETS</b>                       | ----- | -----                    | -----                     |
| 22.   | <b>TOTAL ASSETS [line 12 plus line 21]</b>              | ----- | -----                    | -----                     |

**FORM 1, PART I – STATEMENT A (CONTINUED)**

| REFERENCE                       |         | NOTES   | (CURRENT<br>YEAR)<br>C\$ | (PREVIOUS<br>YEAR)<br>C\$ |
|---------------------------------|---------|---|--------------------------|---------------------------|
| <b>CURRENT LIABILITIES:</b>     |         |   |                          |                           |
| 23.                             |         | Overdrafts and loans  | -----                    | -----                     |
| 24.                             | Sch.1   | Securities sold short at market value                                 | -----                    | -----                     |
| 25.                             |         | Trust liabilities   | -----                    | -----                     |
| 26.                             |         | Trading balances  | -----                    | -----                     |
| 27.                             |         | Provisions  | -----                    | -----                     |
| 28.                             | Sch.3   | Current income tax liabilities  | -----                    | -----                     |
| 29.                             |         | Variable compensation payable   | -----                    | -----                     |
| 30.                             |         | Bonuses payable   | -----                    | -----                     |
| 31.                             |         | Accounts payable and accrued expenses                                 | -----                    | -----                     |
| 32.                             |         | Other current liabilities <i>[provide details]</i>                    | -----                    | -----                     |
| 33.                             |         | <b>TOTAL CURRENT LIABILITIES</b>                                      | -----                    | -----                     |
| <b>NON-CURRENT LIABILITIES:</b> |         |   |                          |                           |
| 34.                             |         | Provisions  | -----                    | -----                     |
| 35.                             |         | Deferred tax liabilities  | -----                    | -----                     |
| 36.                             |         | Other non-current liabilities <i>[provide details]</i>                | -----                    | -----                     |
| 37.                             |         | <b>TOTAL NON-CURRENT LIABILITIES</b>                                  | -----                    | -----                     |
| <b>OTHER LIABILITIES</b>        |         |   |                          |                           |
| 38.                             |         | Finance leases and lease-related liabilities <i>[provide details]</i> | -----                    | -----                     |
| 39.                             |         | Due to related parties <i>[provide details]</i>                       | -----                    | -----                     |
| 40.                             | F-6     | Subordinated loans  | -----                    | -----                     |
| 41.                             |         | <b>TOTAL OTHER LIABILITIES</b>  | -----                    | -----                     |
| 42.                             |         | <b>TOTAL LIABILITIES <i>[line 33 plus lines 37 plus 41]</i></b>       | -----                    | -----                     |
| <b>CAPITAL AND RESERVES:</b>    |         |   |                          |                           |
| 43.                             | Stmt. E | Issued capital  | -----                    | -----                     |
| 44.                             | Stmt. E | Reserves  | -----                    | -----                     |
| 45.                             | Stmt. E | Retained earnings or undivided profits                                | -----                    | -----                     |
| 46.                             |         | <b>TOTAL CAPITAL</b>  | -----                    | -----                     |
| 47.                             |         | <b>TOTAL LIABILITIES AND CAPITAL <i>[line 42 plus line 46]</i></b>    | -----                    | -----                     |

**FORM 1, PART I – STATEMENT A  
NOTES AND INSTRUCTIONS**

**Accrual basis of accounting**

Members are required to use the accrual basis of accounting.

Allowable assets are those assets which, due to their nature, location or source, are either readily convertible into cash or from such creditworthy entities as to be allowed for capital purposes.

**Line 4** - In the case of the Mutual Fund Dealer – Dealing Representative’s portion of gross commissions or fees receivable, as recorded on lines 10 (Other receivables) and 20 (Other assets), to the extent that there is written documentation that the Member does not have a liability to pay the Mutual Fund Dealer – Dealing Representative’s commission until it is received, the Mutual Fund Dealer – Dealing Representative’s portion of the gross commission or fee receivable is an allowable asset.

**Line 5** - Include amounts owed to the Member for the sale of nominee name client securities.

**Line 8** - Include **only** overpayment of prior years' income taxes or current year installments. Taxes recoverable due to current year losses may be included to the extent that they can be carried back and applied against taxes previously paid.

**Line 9** - Include GST and HST receivables, capital tax, Part IV tax, sales and property taxes.

**Line 11** - Include **only** to extent receivable from Acceptable Entities (for definition, see General Notes and Definitions) but do not include subordinated loans receivable from other Members which should be shown on line 18.

**Line 15** - Start-up and organizational costs cannot be capitalized. Examples of intangible assets include goodwill and client lists.

**Line 17** - Assets arising from a finance lease (also known as a capitalized lease).

**Line 18** - Receivables from related parties which are generated from trading activity can be reported as allowable assets if the criteria for such reporting is otherwise satisfied.

A Member must report non-trading inter-company receivables on a gross basis unless the criteria for netting are met.

**Line 19** - Investments in subsidiaries and affiliates must be valued at cost.

**Line 20** - Including but not limited to such items as:

- prepaid expenses
- commissions and other receivables from other than acceptable entities
- cash surrender value of life insurance
- advances to employees (gross)
- cash on deposit with non acceptable entities
- provincial contingency/fund deposits

**Line 21** - Non-allowable assets mean those assets that do not qualify as allowable assets.

**Line 26** - Includes amounts owed by the Member for the purchase of nominee name client securities.

**Line 27** - Recognize a liability to cover specific expenditures relating to legal and constructive obligations. A Member cannot hold provisions as a general reserve to be applied against some other unrelated expenditure.

**Line 30** - Include discretionary bonuses payable and bonuses payable to shareholders.

**Line 32** - Include all other current liabilities excluding those reported on lines 38, 39 and 40.

**Line 36** - Include all other non-current liabilities excluding those reported on lines 38, 39 and 40.

**Line 40** - Subordinated loans mean approved loans, pursuant to an agreement in writing in a form satisfactory to the



Corporation, obtained from a source approved by the Corporation, the payment of which is deferred in favour of other creditors and is subject to regulatory approval.

A Member must not pay a debt owed to any of its creditors contrary to any subordination or other agreement to which it and the Corporation are parties.

**Line 44** - Reserve is an amount set aside for future use, expense, loss or claim. It includes an amount appropriated from retained earnings. It also includes accumulated other comprehensive income (OCI).

**Line 45** - Retained earnings represent the accumulated balance of income less losses arising from the operation of the business, after taking into account dividends and other direct charges or credits.

## FORM 1, PART I – STATEMENT B

(Member Name)  
**STATEMENT OF RISK ADJUSTED CAPITAL**  
 at \_\_\_\_\_

| REFERENCE                       | NOTES  | (CURRENT<br>YEAR)<br>C\$ | (PREVIOUS<br>YEAR)<br>C\$ |
|---------------------------------|--|--------------------------|---------------------------|
| LIQUID ASSETS:                  |  |                          |                           |
| 1.                              | A-12 Total Allowable Assets  | -----                    | -----                     |
| 2.                              | A-33 <b>Deduct:</b> Total Current Liabilities                                  | -----                    | -----                     |
| 3.                              | ALLOWABLE WORKING CAPITAL  | =====                    | =====                     |
| 4.                              | A-39 <b>Deduct:</b> Due to related parties                                     | -----                    | -----                     |
| 5.                              | ADJUSTED ALLOWABLE WORKING CAPITAL   | =====                    | =====                     |
| 6.                              | <b>Deduct:</b> Minimum capital   | -----                    | -----                     |
| 7.                              | SUBTOTAL   | =====                    | =====                     |
| 8.                              | A-37 <b>Deduct:</b> 10% of _____ Non-current liabilities                       | -----                    | -----                     |
| 9.                              | SUBTOTAL   | =====                    | =====                     |
| <b>Deduct: Margin required:</b> |  |                          |                           |
| 10.                             | Sch.1 Securities owned and sold short  | -----                    | -----                     |
| 11.                             | Sch.4 Financial institution bond deductible <i>[greatest under any clause]</i> | -----                    | -----                     |
| 12.                             | Securities held at non-acceptable securities locations <i>[see note]</i>       | -----                    | -----                     |
| 13.                             | Guarantees <i>[provide details]</i>  | -----                    | -----                     |
| 14.                             | Unresolved differences in nominee name accounts                                | -----                    | -----                     |
| 15.                             | Unresolved differences in trust accounts                                       | -----                    | -----                     |
| 16.                             | Other <i>[provide details]</i>   | -----                    | -----                     |
| 17.                             | TOTAL MARGIN REQUIRED <i>[lines 10 through 16]</i>                             | =====                    | =====                     |
| 18.                             | RISK ADJUSTED CAPITAL <i>[line 9 minus line 17]</i>                            | =====                    | =====                     |

**FORM 1, PART I – STATEMENT B  
NOTES AND INSTRUCTIONS**

**Capital Adequacy**

A MEMBER MUST HAVE AND MAINTAIN AT ALL TIMES RISK ADJUSTED CAPITAL IN AN AMOUNT NOT LESS THAN ZERO.

**Line 4 - Due to related parties**

For purposes of this capital calculation, all amounts owing to related parties must be reported as a deduction to risk adjusted capital.

**Line 6 - Minimum capital** Rule 3.1.1 requires the following minimum capital amounts:

|                |           |
|----------------|-----------|
| Level 1 Member | \$ 25,000 |
| Level 2 Member | 50,000    |
| Level 3 Member | 75,000    |
| Level 4 Member | 200,000   |

Notwithstanding the provisions of Rule 3.1.1, a Member that is registered as an investment fund manager under securities legislation and is a Level 2 or 3 Dealer must maintain minimum capital of at least \$100,000.

**Line 12 - Securities held at non- acceptable locations**

100% of the market value of securities must be provided in the case where client or firm securities are held at locations which do not qualify as acceptable securities locations (see General Notes and Definitions). Securities held by an entity with which the Member has not entered into a written custodial agreement as required by the Rules of the Corporation shall be considered as being held at non-acceptable securities locations.

**Line 13 - Guarantees**

If the Member is guaranteeing the liability of another party, the total amount of the guarantee must be provided for in computing Risk Adjusted Capital.

The Member should maintain and retain the details of the margin calculations for guarantees for review by the Corporation.

**Lines 14 and 15 - Unresolved differences**

Items are considered unresolved unless a journal entry to resolve the difference has been processed as of the Due Date of the Form 1.

This does not include journal entries writing off the difference to profit or loss in the period subsequent to the date of the Form 1.

Margin must be provided for adverse unresolved differences in nominee name accounts in an amount equal to the market value of the securities short plus the applicable margin rates related to the security. If the deficiency has not been resolved within thirty days of being discovered, the Member shall immediately purchase the securities that are short.

For nominee name accounts, where a mutual fund company or financial institution does not provide a monthly statement or electronic file confirming all of the Member firm's positions, the Member shall provide margin equal to 100% of the market value of such mutual funds and other investment products held on behalf of clients.

All reconciliations must be properly documented and made available for review by Corporation staff and the Member's auditor.

**Line 16 - Other**

This item should include all margin requirements not mentioned above as outlined in the Rules of the Corporation.

**FORM 1, PART I – STATEMENT C**

\_\_\_\_\_  
(Member Name)

**STATEMENT OF EARLY WARNING EXCESS**

at \_\_\_\_\_

REFERENCE

(CURRENT YEAR)  
C\$

1. B-18 RISK ADJUSTED CAPITAL

\_\_\_\_\_

LIQUIDITY ITEMS

**DEDUCT:**

2. A-11 Total other allowable assets

-----

**ADD:**

3. B-8 10% of Non-current liabilities

-----

4. EARLY WARNING EXCESS

=====

**FORM 1, PART I – STATEMENT C**  
**NOTES AND INSTRUCTIONS**

The early warning system is designed to provide advance warning of a Member encountering financial difficulties. It will anticipate capital shortages and/or liquidity problems and encourage Members to build a capital cushion.

**Line 2** - Other allowable assets are deducted from RAC because they are illiquid or the receipt is either out of the firm's control or contingent.

**Line 3** - Non-current liabilities are added back to RAC as they are not current obligations of the firm and can be used as financing.

## FORM 1, PART I – STATEMENT D

\_\_\_\_\_  
(Member Name)

### STATEMENT OF INCOME AND COMPREHENSIVE INCOME FOR THE PERIOD ENDED \_\_\_\_\_

|  | NOTES | (CURRENT<br>YEAR/MONTH)<br>C\$ | (PREVIOUS<br>YEAR/MONTH)<br>C\$ |
|--|-------|--------------------------------|---------------------------------|
| <b>COMMISSION REVENUE</b>                                    |       |                                |                                 |
| 1. Mutual Funds  | ----- | -----                          | -----                           |
| 2. Segregated Funds  | ----- | -----                          | -----                           |
| 3. Deposit Instruments                                       | ----- | -----                          | -----                           |
| 4. Limited Partnerships                                      | ----- | -----                          | -----                           |
| 5. Other securities <i>[provide details]</i>                 | ----- | -----                          | -----                           |
| 6. Insurance   | ----- | -----                          | -----                           |
| <b>OTHER REVENUE</b>   |       |                                |                                 |
| 7. Interest  | ----- | -----                          | -----                           |
| 8. Fees from clients   | ----- | -----                          | -----                           |
| 9. Management fees   | ----- | -----                          | -----                           |
| 10. Referral fees  | ----- | -----                          | -----                           |
| 11. Realized/unrealized gain (loss) on marketable securities | ----- | -----                          | -----                           |
| 12. Other <i>[provide details]</i>                           | ----- | -----                          | -----                           |
| 13. TOTAL REVENUE  | ----- | -----                          | -----                           |
| <b>EXPENSES</b>  |       |                                |                                 |
| 14. Variable compensation                                    | ----- | -----                          | -----                           |
| 15. Commissions and fees paid to third parties               | ----- | -----                          | -----                           |
| 16. Interest expense on subordinated debt                    | ----- | -----                          | -----                           |
| 17. Bad debt expense   | ----- | -----                          | -----                           |
| 18. Financing costs  | ----- | -----                          | -----                           |
| 19. Operating expenses                                       | ----- | -----                          | -----                           |
| 20. Unusual items <i>[provide details]</i>                   | ----- | -----                          | -----                           |
| 21. Profit (loss) for the year from discontinued operations  | ----- | -----                          | -----                           |
| 22. Profit (loss) for Early Warning test                     | ----- | -----                          | -----                           |
| 23. Income – Asset revaluation                               | ----- | -----                          | -----                           |
| 24. Expense – Asset revaluation                              | ----- | -----                          | -----                           |
| 25. Interest expense on internal subordinated debt           | ----- | -----                          | -----                           |
| 26. Bonuses  | ----- | -----                          | -----                           |
| 27. <b>Net income (loss) before income tax</b>               | ----- | -----                          | -----                           |
| 28. s-3(5) Income tax expense (recovery)                     | ----- | -----                          | -----                           |
| 29. PROFIT (LOSS) FOR PERIOD                                 | ----- | -----                          | -----                           |

**OTHER COMPREHENSIVE INCOME**

|     |   |       |        |       |
|-----|---|-------|--------|-------|
| 30. | Gain (loss) arising on revaluation of properties                                | ----- | -----  | ----- |
| 31. | Actuarial gain (loss) on defined benefit pension plans                          | ----- | To E5a | ----- |
| 32. | Other comprehensive income for the period, net of tax <i>[Lines 30 plus 31]</i> | ----- | To E5b | ----- |
| 33. | <b>Total comprehensive income for the period</b> <i>[Lines 29 plus 32]</i>      | ----- | -----  | ----- |

**FORM 1, PART I – STATEMENT D  
NOTES AND INSTRUCTIONS**

**Comprehensive Income**

Comprehensive income represents changes in equity during a period, including profit and loss for the period and other comprehensive income (OCI). OCI captures certain gains and losses outside of net income. For regulatory financial reporting, there are two acceptable sources of other comprehensive income (OCI):

- the use of the revaluation model for property, plant and equipment (PPE) and intangible assets; and
- actuarial gain (loss) on defined benefit pension plans.

**Lines**

- 1-12 Report all gross commission revenue earned in the appropriate lines.  
Report all other revenue earned on a gross basis.  
Commission paid to salespersons must be reported on line 14 (Expenses – Variable compensation)  
Payouts to other parties must be reported on line 15 (Expenses – Commissions and fees paid to third parties).
- 1 Include all gross commissions and trailer fees earned on mutual fund transactions.
- 7 Include all interest revenue. Interest revenue earned by the Member from holding client cash balances should be reported on this line.  
  
The related interest cost paid to clients should be reported on line 18 (Expenses – Financing costs).
- 8 Include portfolio service fees, RRSP fees and any charges to clients that are not related to commissions or interest.
- 9 Include fund management fees and consulting fees charged to parties other than clients.
- 10 Include all fees earned as a result of referring clients to another entity for products or services.
- 11 Include all trading profits or losses from principal trading activities and adjustment of marketable securities to market value.
- 12 Include foreign exchange profits or losses and all other revenue not reported above.
- 14 Include commissions, bonuses and other variable compensation of a contractual nature. Examples would encompass commission payouts to Mutual Fund Dealer – Dealing Representatives. All contractual bonuses should be accrued monthly. Discretionary bonuses should be reported separately on line 26 (Expenses – Bonuses).
- 15 Include payouts to other parties.
- 16 Include all interest on external subordinated debt, as well as non-discretionary contractual interest on internal subordinated debt.
- 18 Include the interest cost paid to clients.
- 19 Include all operating expenses except those mentioned elsewhere.
- 20 Unusual items result from transactions or events that are not expected to occur frequently over several years, or do not typify normal business activities.  
Discontinued operations, such as a branch closure, should be reported separately on line 21 (Profit (loss) for the year



from discontinued operations).

- 21 A discontinued operation is a business component that has either been disposed or is classified as held for sale and represents (or is part of a plan to dispose) a separate significant line of business or geographical area of operations. For example, a branch closure. The profit (loss) on discontinued operations for the year is on a pre-tax basis. The tax component is to be included as part of the income tax expense (recover) on Statement D line 28.
- 22 This is the profit (loss) number used for the Early Warning profitability tests.
- 23 When a Member uses the revaluation model for its PPE and intangible assets, changes to the fair value may result in recognizing income after considering accumulated depreciation (or amortization) and OCI surplus.
- 24 When a Member uses the revaluation model for its PPE and intangible assets, changes to the fair value may result in recognizing expense after considering accumulated depreciation (or amortization) and OCI surplus.
- 25 Include interest expense on subordinated debt with related parties for which the interest charges can be waived if required.
- 26 This category should include discretionary bonuses and all bonuses to shareholders in accordance with share ownership. These bonuses are in contrast to those reported on Line 14 (Expenses – Variable compensation).
- 28 Includes only income taxes. Realty and capital taxes should be included on line 19 (Expenses – Operating expenses). Also include the tax component relating to the profit (loss) on discontinued operations for the year.
- 30 When a Member uses the revaluation model to re-measure its PPE and intangible assets, changes to fair value may result in a change to shareholders' equity after considering accumulated depreciation (amortization) and income or expense from asset revaluation.
- 31 When a Member has a defined benefit pension plan and initially adopts a policy of recognizing actuarial gains and losses in full in OCI, the subsequent adjustments must be recognized in OCI.

## FORM 1, PART I – STATEMENT E

\_\_\_\_\_  
(Member Name)

### STATEMENT OF CHANGES IN CAPITAL AND RETAINED EARNINGS (CORPORATIONS) OR UNDIVIDED PROFITS (PARTNERSHIPS) FOR THE PERIOD ENDED \_\_\_\_\_

#### PART A. CHANGES IN ISSUED CAPITAL

|   |   | <u>Notes</u> | <u>Share capital or<br/>Partnership<br/>capital</u> | <u>Share premium</u> | <u>Issued capital</u> |
|---|---|--------------|---|----------------------|-----------------------|
|   |   |              | [a]   | [b]                  | [c] = [a] + [b]       |
|   |   |              | C\$   | C\$                  | C\$                   |
| 1 | Beginning balance   | –            |   |                      |                       |
| 2 | Increases (decreases) during<br>the period <i>[provide details]</i> |              |   |                      |                       |
|   | (a)   |              |   |                      |                       |
|   | (b)   |              |   |                      |                       |
|   | (c)   |              |   |                      |                       |
| 3 | Ending balance  | –            |   |                      |                       |
|   |   |              |   |                      | A 43                  |

#### PART B. CHANGES IN RESERVES

|   |  | <u>Notes</u> | <u>General</u> | <u>Properties<br/>revaluation</u> | <u>Employee<br/>benefits</u> | <u>Total reserves</u>    |
|---|--|--------------|----------------|-----------------------------------|------------------------------|--------------------------|
|   |  |              | [a]            | [b]                               | [c]                          | [d] = [a] + [b]<br>+ [c] |
|   |  |              | C\$            | C\$                               | C\$                          | C\$                      |
| 4 | Beginning balance  | –            |                |                                   |                              |                          |
| 5 | Changes during the period  |              |                |                                   |                              |                          |
|   | (a) Other comprehensive income for the<br>period – properties revaluation (From D<br>30)                                 |              | N/A            |                                   | N/A                          |                          |
|   | (b) Other comprehensive income for the<br>period – actuarial gain (loss) on defined<br>benefit pension plans (From D 31) |              | N/A            | N/A                               |                              |                          |
|   | (c) Recognition of share-based payments<br>(From D 19)   |              | N/A            | N/A                               |                              |                          |
|   | (d) Transfer from/to retained earnings<br>(From/to E 12)   |              |                | N/A                               | N/A                          |                          |
|   | (e) Other <i>[provide details]</i>   |              |                |                                   |                              |                          |
| 6 | Ending balance   | –            |                |                                   |                              |                          |
|   |  |              |                |                                   |                              | A 44                     |

**PART C. CHANGES IN RETAINED EARNINGS**

|    |   | <u>Notes</u> | <u>Retained earnings<br/>(current<br/>year/month)</u> | <u>Retained earnings<br/>(previous<br/>year/month)</u> |
|----|---|--------------|---|--|
|    |   |              | C\$   | C\$  |
| 7  | Beginning balance   | –            |   |  |
| 8  | Effect of change in accounting policy <i>[provide details]</i>                |              |   |  |
|    | (a)   |              | N/A   |  |
|    | (b)   |              | N/A   |  |
| 9  | As restated   | –            | N/A   |  |
| 10 | Payment of dividends or partners drawings                                     |              |   |  |
| 11 | Profit or loss for the period (From D 29)                                     | –            |   |  |
| 12 | Other direct charges or credits to retained earnings <i>[provide details]</i> |              |   |  |
|    | (a)   |              |   |  |
|    | (b)   |              |   |  |
|    | (c)   |              |   |  |
| 13 | Ending balance  | –            |   |  |
|    |   |              | <b>A 45</b>   |  |

**FORM 1, PART I – STATEMENT E  
NOTES AND INSTRUCTIONS**

**PART A. CHANGES IN ISSUED CAPITAL**

**Share premium**

When the Member sells its shares (initial issuance or from treasury), share premium is the excess amount received by the Member over the par value (or nominal value) of its shares. Share premium cannot be used to pay out dividends.

**PART B. CHANGES IN GENERAL RESERVE**

**General reserve**

A Member may want to transfer from retained earnings. The creation of a general reserve gives the Member an added measure of protection.

**Reserve – Employee benefits**

When a Member has a defined benefit pension plan and initially adopts a policy of recognizing actuarial gains and losses in full in other comprehensive income (OCI), all subsequent adjustments must be recognized as other comprehensive income and will be accumulated in a reserve account.

When a Member has stock option or share awards granted to its employees by issuing new shares, the Member recognizes the fair value of the option or new shares granted as an expense with a corresponding increase in the reserve account.

**Reserve – Properties revaluation**

When using the revaluation model for certain non-allowable assets (PPE and intangibles), a Member will account for the initial increase in value as other comprehensive income and will accumulate the increase (and subsequent changes) in a revaluation reserve account.

**PART C. CHANGES IN RETAINED EARNINGS**

**Changes in accounting policy and retroactive adjustment of prior year's retained earnings**

A change in accounting policy in the current year requires retroactive adjustment of the prior year's retained earnings.

The beginning balance of the current period must be the ending balance of the prior period.

**FORM 1, PART I – STATEMENT F**

\_\_\_\_\_  
(Member Name)

**STATEMENT OF CHANGES IN SUBORDINATED LOANS  
FOR THE PERIOD ENDED \_\_\_\_\_**

|   | Notes | C\$ |
|---|-------|-----|
| 1. Balance at last period-end                     |       |     |
| 2. Increases during period                        |       |     |
| <i>[give name of lender and date of increase]</i> |       |     |
| (a)   |       |     |
| (b)   |       |     |
| (c)   |       |     |
| (d)   |       |     |
| (e)   |       |     |
| (f)   |       |     |
| 3. Subtotal                                       |       |     |
| 4. Decreases during period                        |       |     |
| <i>[give name of lender and date of decrease]</i> |       |     |
| (a)   |       |     |
| (b)   |       |     |
| (c)   |       |     |
| (d)   |       |     |
| (e)   |       |     |
| (f)   |       |     |
| 5. Subtotal                                       |       |     |
| 6. Present subordinated loans                     |       |     |

A-40

**FORM 1, PART I – STATEMENT F  
NOTES AND INSTRUCTIONS**

- At the annual audit date only**, provide an attachment to Statement F showing the amount and the name of the lender for each subordinated loan outstanding.
- “subordinated loans”** means approved loans, pursuant to an agreement in writing in the form prescribed by the Corporation, the payment of which is deferred in favour of other creditors and is subject to regulatory approval.

**FORM 1 – PART I – NOTES**

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(Member Name)

**NOTES TO THE FORM 1 FINANCIAL STATEMENTS**

at \_\_\_\_\_

**FORM 1, PART II**  
**AGREED-UPON PROCEDURES REPORT ON COMPLIANCE FOR**  
**INSURANCE AND SEGREGATION OF CASH AND SECURITIES**

To: \_\_\_\_\_ <Member>

**Purpose of this Agreed-upon Procedures Report**

Our report is solely for the purpose of providing \_\_\_\_\_ <Member> (Member) with information to assist the Canadian Investment Regulatory Organization (CIRO) and the Canadian Investor Protection Fund (CIPF) in their assessment of the Member's compliance with certain requirements regarding maintaining minimum insurance and segregation of client cash and securities as outlined in Mutual Fund Dealer Rules (MFD Rules) listed in the Procedures and Findings section below and may not be suitable for another purpose.

**Responsibilities of the engaging party**

The Member, CIRO and CIPF have acknowledged that the agreed-upon procedures, as required by CIRO, are appropriate for the purpose of the engagement. The Member is responsible for the subject matter on which the agreed-upon procedures are performed.

**Practitioner's responsibilities**

We have conducted the agreed-upon procedures engagement in accordance with the Canadian Standard on Related Services (CSRS) 4400, *Agreed-upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Member, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

**Professional ethics**

[Free form text]

*[Sample: In performing the Agreed-upon Procedures engagement, we complied with the relevant ethical requirements in the rules of professional conduct/code of ethics applicable to the practice of public accounting issued by the various professional accounting bodies. We have also complied with the independence requirements that are relevant to assurance engagements in Canada.]*

**Procedures and findings**

We have performed the procedures described below, which were agreed upon with the Member with respect to the Member's compliance with certain requirements regarding maintaining minimum insurance and segregation of client cash and securities as outlined in MFD Rules listed in the Procedures and Findings section below.

|     | <b>Procedures</b>  | <b>Findings</b><br>[State the results of the procedures performed] |
|-----|--|--|
| (1) | <p>Obtain the written internal control policies and procedures of the Member, from management of the Member, and inspect whether they include internal controls regarding:</p> <ul style="list-style-type: none"> <li>(i) maintaining insurance coverage as required in MFD Rule 4 and MFD Rule 400 - Internal Control Rule Statement 3, and</li> <li>(ii) segregation of client cash and securities as required in MFD Rule 3.3.</li> </ul>   |  |
| (2) | <p>Obtain written representation from management of the Member that “The Member’s internal control policies and procedures regarding insurance and segregation of client cash and securities meet the minimum requirements in MFD Rule 3.3, MFD Rule 4, and MFD Rule 400 - Internal Control Rule Statement 3 as at <i>&lt;period end date&gt;</i> and have been implemented.” The name and title of those of management who provided the written representation are to be reported in the findings.</p>  |  |
| (3) | <p>Obtain the Financial Institution Bond insurance policy(s) (the FIB(s)) as at <i>&lt;period end date&gt;</i>, from management of the Member, and inspect whether the FIB(s):</p> <ul style="list-style-type: none"> <li>(i) clauses exist as per MFD Rule 4.1 for: <ul style="list-style-type: none"> <li>(a) Fidelity</li> <li>(b) On premises</li> <li>(c) In transit and mail</li> <li>(d) Forgery or alterations</li> <li>(e) Securities; and</li> </ul> </li> <li>(ii) includes the minimum coverage limits as per MFD Rule 4.4.</li> </ul>   |  |
| (4) | <p>From a listing of all Member insurance brokers as at <i>&lt;period end date&gt;</i>, provided by management of the Member, confirm items (i) to (xi) below for each insurance broker and report differences from the details reported in the FIB(s):</p> <ul style="list-style-type: none"> <li>(i) Insurance company name</li> <li>(ii) Name of insured</li> <li>(iii) FIB/registered mail</li> <li>(iv) Expiry date</li> <li>(v) Coverage</li> <li>(vi) Type of aggregate limit</li> <li>(vii) Provision for full reinstatement</li> <li>(viii) Premium</li> <li>(ix) Clauses</li> <li>(x) Deductible</li> <li>(xi) Losses and claims.</li> </ul> |  |



|     |  |  |
|-----|--|--|
| (5) | From the report of total client cash and securities held as at <i>&lt;period end date&gt;</i> , provided by management of the Member. Agree the total client cash and securities held by the Member as at <i>&lt;period end date&gt;</i> to Schedule 4 of Form 1, Part II.   |  |
| (6) | From a listing of all securities segregation locations as at <i>&lt;period end date&gt;</i> , provided by management of the Member, inspect that each securities segregation location meets the definition of "acceptable securities locations" as defined in the General Notes and Definitions to Form 1.   |  |
| (7) | <p>From a listing of all cash segregation locations as at <i>&lt;period end date&gt;</i>, provided by management of the Member:</p> <ul style="list-style-type: none"> <li>(i) inspect that each cash segregation location meets the definition of "Acceptable Institutions" as defined in the General Notes and Definitions of Form 1; and</li> <li>(ii) for each account: <ul style="list-style-type: none"> <li>(a) inspect that the account was designated as "in trust"; and</li> <li>(b) inspect that the account was interest bearing.</li> </ul> </li> </ul> |  |

[Optional: Restriction on Use]

[Free form text]

*[Sample: This Agreed-upon Procedures Report is intended solely for the information and use of the Member, CIRO and CIPF and is not intended to be and should not be used by other parties.]*

\_\_\_\_\_  
*(auditing firm)*

\_\_\_\_\_  
*(date)*

\_\_\_\_\_  
*(signature)*

\_\_\_\_\_  
*(place of issue)*

[Optional: Additional information]

## FORM 1, PART II – SCHEDULE 1

DATE: \_\_\_\_\_

\_\_\_\_\_  
(Member Name)

### ANALYSIS OF SECURITIES OWNED AND SOLD SHORT AT MARKET VALUE

| Category  | Notes | Market Value<br>Long<br>C\$ | Market Value<br>Short<br>C\$ | Margin<br>required<br>C\$ |
|---|-------|-----------------------------|------------------------------|---------------------------|
| 1. Money market   | ----- | -----                       | -----                        | -----                     |
| Accrued interest  | ----- | -----                       | -----                        | NIL                       |
| <b>TOTAL MONEY MARKET</b>                                 | ----- | -----                       | -----                        | -----                     |
| 2. Money market mutual funds                              | ----- | -----                       | NIL                          | -----                     |
| 3. Mutual funds<br>(other than money market mutual funds) | ----- | -----                       | NIL                          | -----                     |
| 4. Equities   | ----- | -----                       | -----                        | -----                     |
| Accrued interest on convertible debentures                | ----- | -----                       | -----                        | NIL                       |
| <b>TOTAL EQUITIES</b>                                     | ----- | -----                       | -----                        | -----                     |
| 5. Debt   | ----- | -----                       | -----                        | -----                     |
| Accrued interest  | ----- | -----                       | -----                        | NIL                       |
| <b>TOTAL DEBT</b>   | ----- | -----                       | -----                        | -----                     |
| 6. Other <i>[provide details]</i>                         | ----- | -----                       | -----                        | -----                     |
| Accrued interest  | ----- | -----                       | -----                        | NIL                       |
| <b>TOTAL OTHER</b>  | ----- | -----                       | -----                        | -----                     |
| 7. <b>TOTAL</b>   | ----- | A-3                         | A-24                         | B-10                      |

**FORM 1, PART II – SCHEDULE 1  
NOTES AND INSTRUCTIONS**

1. All securities are to be valued at market (see General Notes and Definitions) as of the reporting date. The margin rates to be used are those outlined below:

**(a) Bonds, Debentures, Treasury Bills and Notes**

(i) Bonds, debentures, treasury bills and other securities of or guaranteed by the Government of Canada, of the United Kingdom, of the United States of America and of any other national foreign government (provided such foreign government securities are currently rated Aaa or AAA by Moody's Investors Services Inc. or Standard & Poor's Corporation, respectively), maturing (or called for redemption):

|               |  |
|---------------|--|
| within 1 year | 1% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365 |
|---------------|--|

|             |                    |
|-------------|--------------------|
| over 1 year | 5% of market value |
|-------------|--------------------|

(ii) Bonds, debentures, treasury bills and other securities of or guaranteed by any province of Canada and obligations of the International Bank for Reconstruction and Development, maturing (or called for redemption):

|               |  |
|---------------|--|
| within 1 year | 2% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365 |
|---------------|--|

|             |                    |
|-------------|--------------------|
| over 1 year | 5% of market value |
|-------------|--------------------|

(iii) Bonds, debentures or notes (not in default) of or guaranteed by any municipal corporation in Canada or the United Kingdom maturing:

|               |  |
|---------------|--|
| within 1 year | 3% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365 |
|---------------|--|

|             |                    |
|-------------|--------------------|
| over 1 year | 5% of market value |
|-------------|--------------------|

(iv) Other non-commercial bonds and debentures (not in default):

10% of market value

(v) All other bonds, debentures and notes (not in default):

|               |  |
|---------------|--|
| within 1 year | 3% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365 |
|---------------|--|

|             |                     |
|-------------|---------------------|
| over 1 year | 10% of market value |
|-------------|---------------------|

**(b) Bank Paper**

Deposit certificates, promissory notes or debentures issued by a Canadian chartered bank (and of Canadian chartered bank acceptances) maturing:

|               |  |
|---------------|--|
| within 1 year | 2% of market value multiplied by the fraction determined by dividing the number of days to maturity by 365 |
| over 1 year   | 10% of market value  |

**(c) Mutual Funds**

Securities of mutual funds qualified by prospectus for sale in any province of Canada shall be margined at the following rates:

Money Market Funds (as defined in NI81-102) - 5% of market value.

All Other Mutual Funds - 50% of market value.

**(d) Stocks**

On securities (other than bonds and debentures) including rights and warrants listed on any recognized stock exchange in Canada or the United States:

Long Positions - Margin Required

Securities selling at \$2.00 or more - 50% of market value

Securities selling at \$1.75 to \$1.99 - 60% of market value

Securities selling at \$1.50 to \$1.74 - 80% of market value

Securities selling under \$1.50 - 100% of market value

Short Positions - Credit Required

Securities selling at \$2.00 or more - 150% of market value

Securities selling at \$1.50 to \$1.99 - \$3.00 per share

Securities selling at \$0.25 to \$1.49 - 200% of market value

Securities selling at less than \$0.25 - market value plus \$0.25 per share

**(e) FOR ALL OTHER SECURITIES - 100%.**

- Schedule 1 summarizes **all** securities owned and sold short by the categories indicated. Details that must be included for each category are total long market value, total short market value and total margin required as indicated.
- The Examiners and/or Auditors of the Corporation may request additional details of securities owned or sold short as they, in their discretion, believe necessary.

**Line 1** - Money market shall include Canadian & US Treasury Bills, Bankers Acceptances, Bank paper (Domestic & Foreign), Municipal and Commercial Paper or other similar instruments.

**FORM 1, PART II – SCHEDULE 2**

DATE: \_\_\_\_\_

\_\_\_\_\_  
(Member Name)

**ANALYSIS OF CLIENTS' DEBIT BALANCES**

| <b>Line</b> |                                    | <b>Advanced<br/>Redemption<br/>Proceeds<br/>Receivable</b> | <b>Other Client<br/>Receivables</b> | <b>Client Debit<br/>Balances</b> |
|-------------|------------------------------------|--|-------------------------------------|----------------------------------|
|             |                                    | <b>[a]</b>   | <b>[b]</b>                          | <b>[c] = [a] + [b]</b>           |
|             |                                    | <b>C\$</b>   | <b>C\$</b>                          | <b>C\$</b>                       |
| 1.          | Non – registered accounts          |  |                                     |                                  |
| 2.          | RRSP and other registered accounts |  |                                     |                                  |
| 3.          | TOTAL                              |  |                                     |                                  |
|             |                                    |  |                                     | A-13                             |

**SUPPLEMENTARY DISCLOSURE:**

NAME OF RRSP TRUSTEE(S)

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

**FORM 1, PART II – SCHEDULE 2  
NOTES AND INSTRUCTIONS**

1. Rule 3.2.1 prohibits Members from lending or extending credit to a client unless the Member is in compliance with Rule 3.2.3 which provides for the advancement of redemption proceeds.

**Supplementary Disclosure:**

The name of the RRSP trustee(s) used by the Member must be provided. The RRSP or other similar balances held at a trustee must be insured by the Canada Deposit Insurance Corporation (CDIC) or Quebec Deposit Insurance Corporation (QDIC).

**FORM 1, PART II – SCHEDULE 3**

DATE: \_\_\_\_\_

\_\_\_\_\_  
(Member Name)

**CURRENT INCOME TAXES**

|   | C\$   | C\$  |
|---|-------|--|
| <b>A. INCOME TAX LIABILITY (ASSET)</b>  |       |  |
| 1. Balance payable (recoverable) at last period-end   |       | -----                                      |
| 2. (a) Payments (made) or received relating to above balance  | ----- |  |
| (b) Adjustments, including reassessments, relating to prior periods <i>[provide details if significant]</i> | ----- |  |
| 3. Total adjustment to prior periods' payable (recoverable) taxes during current period                     |       | -----                                      |
| 4. Subtotal <i>[add or subtract line 3 from line 1]</i>   |       | -----                                      |
| 5. Income tax expense (recovery)  | ----- |  |
|   | D-28  |  |
| 6. less: Current installments   | ----- |  |
| 7. Other adjustments <i>[provide details if significant]</i>  | ----- |  |
| 8. Total adjustment for current year's tax liabilities (assets)   |       | -----                                      |
| 9. TOTAL LIABILITY (ASSET) <i>[add or subtract line 8 from line 4]</i>                                      |       | -----                                      |
|   |       | A-8 -- if asset<br>A-28 -- if<br>liability |

## FORM 1, PART II – SCHEDULE 4

DATE: \_\_\_\_\_

\_\_\_\_\_  
(Member Name)

### INSURANCE

**PART A. FINANCIAL INSTITUTION BOND (FIB) CLAUSES (A) TO (E)**

**C\$**

1. Minimum coverage required for each clause:

LEVEL 1, 2 OR 3 DEALERS

- |   |       |  |
|---|-------|--|
| (a) Lesser of \$50,000 per Mutual Fund Dealer – Dealing Representative or \$200,000 | _____ |  |
| (b) Allowable assets (A-12)      \$===== x 1%                                       | _____ |  |
| <b>Greater of (a) and (b) above</b>   | ===== |  |

The actual coverage required for each clause is the greater of (a) and (b) above to a maximum requirement of \$25,000,000.

LEVEL 4 DEALERS

- |   |           |  |
|---|-----------|--|
| (a) Minimum coverage of.....  | \$500,000 |  |
| (b) Total client cash and securities held by the Member      \$===== x 1% | _____     |  |
| (c) Allowable assets (A-12)      \$===== x 1%                             | _____     |  |
| <b>Greater of (a), (b) and (c) above</b>                                  | =====     |  |

The actual coverage required for each clause is the greater of (a), (b) and (c) above to a maximum requirement of \$25,000,000.

- |   |       |                        |
|---|-------|------------------------|
| 2. Coverage maintained per FIB                                      | _____ | <i>[Notes 3&amp;7]</i> |
| 3. Excess / (Deficiency) in coverage                                | ===== | <i>[Note 4]</i>        |
| 4. Amount deductible under FIB ( <i>greatest under any clause</i> ) | ===== | <i>[Note 5]</i>        |
|   | B-11  |                        |

**PART B. REGISTERED MAIL INSURANCE**

- |                             |       |                 |
|-----------------------------|-------|-----------------|
| 1. Coverage per mail policy | ===== | <i>[Note 6]</i> |
|-----------------------------|-------|-----------------|

**PART C. FIB AND REGISTERED MAIL POLICY INFORMATION *[Note 8]***

| <u>Insurance Company</u> | <u>Name of the Insured</u> | <u>FIB/<br/>Registered Mail</u> | <u>Expiry<br/>Date</u> | <u>Coverage</u> | <u>Premium</u> |
|--------------------------|----------------------------|---------------------------------|------------------------|-----------------|----------------|
|--------------------------|----------------------------|---------------------------------|------------------------|-----------------|----------------|



**FORM 1, PART II – SCHEDULE 4**

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(Member Name)

**INSURANCE**

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**PART D. LOSSES AND CLAIMS [Note 9]**

| <u>Date of<br/>Loss</u> | <u>Date of<br/>Discovery</u> | <u>Amount<br/>of Loss</u> | <u>Deductible<br/>Applying<br/>to Loss</u> | <u>Description</u> | <u>Claim<br/>Made?</u> | <u>Settlement</u> | <u>Date<br/>Settled</u> |
|-------------------------|------------------------------|---------------------------|--|--------------------|------------------------|-------------------|-------------------------|
|-------------------------|------------------------------|---------------------------|--|--------------------|------------------------|-------------------|-------------------------|

**FORM 1, PART II – SCHEDULE 4  
NOTES AND INSTRUCTIONS**

1. Member firms must maintain minimum insurance in type and amounts as outlined in the Rules of the Corporation.
2. Schedule 4 must be completed at the audit date.
3. The amounts of insurance required to be maintained by a Member firm shall as a minimum be by way of a Financial Institution Bond with a double aggregate limit or a provision for full reinstatement.

For Financial Institution Bond policies containing an “aggregate limit” coverage, the actual coverage maintained should be reduced by the amount of reported loss claims, if any, during the policy period.

Cash and securities held by a Member in its capacity as agent for the trustee must be included in the determination of total client cash and securities held by the Member.

4. The Certificate of Partners or Directors contains a question pertaining to the adequacy of insurance coverage. The Auditors’ Report requires the auditor to state that the question has been fairly answered. The Corporation Rules also state: “Should there be insufficient coverage, firms shall be deemed to be complying with this Rule 4 provided that any such deficiency does not exceed 10% of the insurance requirement and that evidence is furnished within two months of the dates of completion of the monthly operations questionnaire and annual audit that the deficiency has been corrected. If the deficiency is 10% or more of the insurance requirement, action must be taken by the Member to correct the deficiency within 10 days of its determination and the Member shall immediately notify the Corporation.”
5. A Financial Institution Bond maintained pursuant to the Rules of the Corporation may contain a clause or rider stating that all claims made under the bond are subject to a deductible, provided that the firm’s margin requirement is increased by the amount of the deductible.
6. Every Member firm shall effect and keep in force Mail Insurance against loss arising by reason of any outgoing shipments of money, securities, or other property negotiable or non-negotiable, by first-class mail, registered mail, registered air mail, express or air express, such insurance to provide at least 100% coverage.
7. The aggregate value of securities in transit in the custody of any employee or any person acting as a messenger shall not at any time exceed the coverage per the Financial Institution Bond (Schedule 4, line 2).
8. List all Financial Institution Bond and Registered Mail underwriters, policies, coverage and premiums indicating their expiry dates. State type of aggregate limits, if applicable, or note that provision for full reinstatement exists.
9. List all losses reported to the insurers or their authorized representatives including those losses that are less than the amount of the deductible. Do not include lost document bond claims. Indicate in the “Amount of Loss” column if the amount of the loss is estimated or unknown as at the reporting date.

Losses should continue to be reported on Schedule 4 Part D until resolved. In the reporting period where a claim has been settled or a decision has been made not to pursue a claim, the loss should be listed along with the amount of the settlement, if any.

At the annual audit date, list all unsettled claims, whether or not the claims were initiated in the period under audit. In addition, list all losses and claims identified in the current or previous periods that have been settled during the period under audit.

**FORM 1, PART II – SCHEDULE 5**

DATE: \_\_\_\_\_

\_\_\_\_\_  
(Member Name)

**EARLY WARNING TESTS**

---

|   | C\$   | <u>Early Warning</u> |
|---|-------|----------------------|
| <b>A. CAPITAL DEFICIENCY</b>  |       |                      |
| B-18 Is RAC less than 0?  |       | _____<br>YES/NO      |
| <b>B. LIQUIDITY TEST</b>  |       |                      |
| C-4 Is Early Warning Excess less than 0?  |       | _____<br>YES/NO      |
| <b>C. PROFITABILITY TEST</b> <i>[note 3]</i>                                    |       |                      |
| 1. Loss for current quarter   | ===== |                      |
| B-18 2. RAC <i>[at questionnaire date]</i>                                      | ===== |                      |
| Is line 2 less than line 1?   |       | _____<br>YES/NO      |
| <b>D. FREQUENCY PENALTY</b>   |       |                      |
| Has the Member triggered Early Warning more than 2 times in the past 12 months? |       | _____<br>YES/NO      |

**FORM 1, PART II – SCHEDULE 5  
NOTES AND INSTRUCTIONS**

1. The objective of the various Early Warning Tests is to measure characteristics likely to identify a firm heading into financial trouble and to impose restrictions and sanctions to reduce further financial deterioration and prevent a subsequent capital deficiency. “Yes” answers indicate Early Warning has been triggered.
  
2. The profit or loss figures to be used are before asset revaluation income and expense, bonuses, and income tax expense [Statement D, line 22 – Profit (loss) for Early Warning test]. Note that the “current quarter” figure must also reflect any audit adjustments made subsequent to the filing of the monthly FQR.
  
3. If the current quarter is profitable, enter a "No" answer for Part C.

**FORM 1, PART II – SCHEDULE 6**

DATE: \_\_\_\_\_

\_\_\_\_\_  
(Member Name)

**OTHER SUPPLEMENTARY INFORMATION**

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- 1. Number of Mutual Fund Dealer – Dealing Representatives
  - (a) Registered only in Quebec..... \_\_\_\_\_
  - (b) Registered outside Quebec..... \_\_\_\_\_
  - Total..... \_\_\_\_\_
  
- 2. Assets Under Administration at statement date..... \_\_\_\_\_ **C\$**

**FORM 1, PART II – SCHEDULE 6  
NOTES AND INSTRUCTIONS**

1. For individuals licensed in Quebec and also licensed in any other province, report on (b).
2. Assets under Administration means the market value of all mutual funds reflected in the client accounts (nominee and client name) of a Member in all provinces of Canada, excluding Quebec.