

INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA

TEXT OF THE CURRENT RELEVANT PROVISIONS OF DEALER MEMBER RULES 4, 5, 6, 7, 8, 17, 18, 22, 29, 31, 35, 38, 39, 40, 100, 500, 600, 700, 1300, 2400, 2900, and 3200

RULE 4

BUSINESS LOCATIONS

- 4.1. Every Business Location of a Dealer Member in a District having a Supervisor who is normally present at the Business Location is a Branch Office Member of the District.
- 4.2. There is no Membership or other fees for Branch Office Members.
- 4.3. A Branch Office Member has the same privileges in its District as any other Branch Office Member except that at a District meeting each Dealer Member has only one vote no matter how many Branch Office Member it has in the District.
- 4.4. The representative of any Branch Office Member in any District is eligible for election as Chair or member of the District Council of the District.
- 4.5. Each Branch Office Member may send one or more representatives to the Annual Meeting of the District.
- 4.5A. Repealed.
- 4.6. A Dealer Member must notify the Corporation in accordance with Rule 40 of the opening or closure of a Business Location.

RULE 5

OWNERSHIP OF DEALER MEMBER SECURITIES

Dealer Member Debt, Restrictive and Limited Participation Securities

- 5.1. A Dealer Member or holding company of a Dealer Member which proposes to borrow money on terms whereby the principal amount matures or is renewable or extendible at the option of the Dealer Member or the holding company to a date more than 12 months after the borrowing shall provide the Corporation with notice of the terms of the borrowing prior to the making of the borrowing.
- 5.2.
 - (1) No Dealer Member or holding company of a Dealer Member shall issue without the prior approval of the Corporation:
 - (a) A security representing subordinated debt;
 - (b) A restrictive security; or
 - (c) A limited participation security.
 - (2) No Dealer Member or holding company of a Dealer Member shall enter into any agreement to issue subordinated debt in the future without prior approval of the Corporation.

5.2A.

- (1) A Dealer Member who has received Corporation approval for the issuance of subordinated debt pursuant to Rule 5.2, shall immediately notify the Corporation of any change in the amount of the funds advanced under the resulting subordinated debt agreement.
- (2) A Dealer Member shall require approval of the Corporation prior to any repayment of funds owed pursuant to a subordinated debt agreement.

Changes in Dealer Member Ownership

5.3. Prior written notice shall be given to the Corporation of the issue or transfer of any securities, or a legal or beneficial interest therein, of a Dealer Member or of a holding company of a Dealer Member corporation, other than securities of a class in respect of which there is public ownership pursuant to a distribution thereof in accordance with Rule 5.9(a), (b) or (d), and other than in respect of the issue or transfer of indebtedness of a Dealer Member corporation or holding company of a Dealer Member corporation that is not subordinated debt, a restrictive security or a limited participation security.

5.4.

- (1) Dealer Members shall seek District Council approval of any transaction that:
 - (a) Permits an investor, alone or together with its associates and affiliates, to own a significant equity interest in the Dealer Member; or
 - (b) Permits an investor, alone or together with its associates and affiliates, to own special warrants or any other securities that are convertible, at any time in the future, to a significant equity interest in the Dealer Member.
- (2) For the purposes of this Rule 5.4, a significant equity interest means the holding of:
 - (a) Voting securities carrying 10 percent or more of the votes carried by all voting securities of the Dealer Member or of a holding company of a Dealer Member;
 - (b) 10 percent or more of the outstanding participating securities of the Dealer Member or of a holding company of a Dealer Member; or
 - (c) An interest of 10 percent or more of the total equity in the Dealer Member.
- (3) Notwithstanding paragraph (1), the legal representatives of a deceased person who had been approved by the applicable District Council as the owner of a significant equity interest may continue as such registered holder or to hold such interest for such period as the applicable District Council may permit.

5.5. No Dealer Member or holding company of a Dealer Member corporation shall own, directly or indirectly, any securities issued by another Dealer Member or holding company of a Dealer Member corporation without the prior consent of the applicable District Council, except for the ownership of securities in connection with the ordinary course of the activities of the securities business.

5.6. No industry investor shall own securities issued by a Dealer Member or a holding company of a Dealer Member corporation other than the Dealer Member in respect of which the investor is approved or a holding company of such Dealer Member corporation, unless:

- (a) those securities are of a class in respect of which there is public ownership pursuant to a distribution thereof, in accordance with Rule 5.9(a), (b) or (d), or
- (b) the Dealer Member is an affiliate or a related company of the Dealer Member in respect of which the investor is approved; or
- (c)
 - (i) the investment does not represent a significant equity interest,
 - (ii) the Corporation has been notified of the relationship,
 - (iii) the Corporation has been provided with evidence that the other member's recognized self-regulatory organization does not object to the relationship and
 - (iv) the Dealer Member, in respect of which the industry investor is approved, has been notified of the investment and does not object to the investment.

For the purposes of this Rule 5.6, significant equity interest shall mean an investment that is 10% or more of any class of issued equity or voting shares.

Public Dealer Member Ownership

- 5.7. A Dealer Member corporation or the holding company of a Dealer Member corporation may permit public ownership of its securities (other than its restrictive securities) but only with the prior approval of the applicable District Council which approval shall be given only if the applicable District Council is satisfied that the Rules of the Corporation including this Rule 5 are being, and will continue to be, complied with. In considering the application for approval, the applicable District Council may review an opinion of legal counsel and such other evidence as it considers appropriate. In granting its approval hereunder, the applicable District Council may impose such conditions and require such undertakings as it considers appropriate from any person to ensure continued compliance with the Rules of the Corporation.
- 5.8. Any Dealer Member or holding company of a Dealer Member corporation which has permitted public ownership of its securities shall, regardless of the statute under which it is incorporated, appoint and maintain an audit committee in accordance with the provisions of the *Canada Business Corporations Act* which relate to audit committees. A Dealer Member or holding company of a Dealer Member may be exempted from the requirements of this Rule 5.8 by the applicable District Council in its discretion and on such terms and conditions as the Council may determine.

Public Distribution of Dealer Members' Securities

- 5.9. A Dealer Member corporation or a holding company of a Dealer Member corporation that intends to permit public ownership of its securities may effect the distribution thereof:
 - (a) Through a qualified independent underwriter on a firm underwriting basis in accordance with usual commercial practice, with a prospectus or equivalent document containing the information required by applicable securities legislation and, subject to the concluding portion of Rule 5.9(b), the Dealer Member corporation may participate as a member of the selling group in a distribution under this Rule 5.9(a);

- (b) Through a qualified independent underwriter on an agency or best efforts basis, or through the issuing corporation (or, where the issuing corporation is a holding company, through its subsidiary Dealer Member) effecting the distribution, with a prospectus or equivalent document containing the information required by provincial securities legislation and with Rule 5.10 being also applicable in the circumstances thereby contemplated; a Dealer Member corporation or a holding company shall be deemed to be effecting the distribution of its own securities if more than 25 per cent of the distribution is made by the Dealer Member corporation or its subsidiary Dealer Member corporation to customers of the corporation or the subsidiary Dealer Member corporation;
 - (c) By private sale, but the provisions of Rule 5.11 shall apply in the circumstances thereby contemplated; or
 - (d) By some other procedure permissible under Rule 5.12.
- 5.10. A Dealer Member corporation or holding company of a Dealer Member corporation underwriting a public distribution of its own voting or participating securities pursuant to Rule 5.9(b), or effecting such a distribution on an agency or best efforts basis through another underwriter, shall provide as part of the prospectus or equivalent document hereby required, summaries of not less than two separate valuations of its securities prepared by independent underwriters or chartered accountants qualified to prepare the same (and participation in the distribution shall not disqualify an underwriter from preparing a valuation), but this requirement shall not apply if securities with identical attributes to those being distributed have been listed and posted for trading on a stock exchange operated by one of the self-regulatory organizations for not less than six months prior to the date the distribution commences.
- 5.11. Where voting or participating securities are distributed by way of private sale under Rule 5.9(c) to investors whose ownership thereof is permissible only by reason of the provisions of this Rule 5 concerning public ownership of securities, the distribution shall be permitted only if arrangements satisfactory to the applicable District Council (which arrangements shall include the execution of an agreement by each investor limiting his resale of the securities) are made to preclude the development of a public trading market in the securities unless and until:
- (a) The issuing Dealer Member corporation or the holding company of a Dealer Member corporation has published information concerning its affairs that is at least equivalent to what would have been included in a prospectus under applicable securities legislation, which information shall include valuations as described in Rule 5.10 unless securities of the Dealer Member or holding company, as the case may be, with identical attributes, have been listed and posted for trading on a stock exchange operated by one of the self-regulatory organizations, for not less than six months prior to the date of publication of the information;
 - (b) From the date of publication of the information in (a) and until the date the public trading market develops, the Dealer Member corporation or holding company has complied with the timely disclosure requirements applicable to listed corporations; and

- (c) After the date the public trading market develops, the Dealer Member corporation or holding company is required by law to comply with the timely disclosure requirements applicable to listed corporations.

5.12. A Dealer Member corporation or a holding company of a Dealer Member corporation may distribute its securities through a transaction such as a take-over bid or an amalgamation that will create a public trading market in such securities, but only if:

- (a) The Dealer Member corporation or holding company publishes information concerning its affairs that is at least equivalent to what would have been included in a prospectus under applicable securities legislation, which information shall be published in accordance with arrangements satisfactory to the applicable District Council as to:
 - (i) The stage in the transaction at which prospectus-type information will be provided;
 - (ii) The securities commission that will be responsible for reviewing and commenting on the information;
 - (iii) The persons to whom the prospectus or similar document will be distributed;
 - (iv) The rescission or withdrawal rights to be made available if the document contains a material inaccuracy; and
- (b) If the securities are participating or voting securities, the information referred to in Rule 5.12(a) shall include valuations as described in Rule 5.10 unless the applicable District Council concludes that such information is not necessary having regard to circumstances such as, for example, that the terms of the transaction were arrived at through arm's length negotiations;

But the requirements of (a) and (b) shall not apply if securities of the Dealer Member corporation or holding company, with identical attributes, have been listed and posted for trading on a stock exchange operated by one of the self-regulatory organizations for not less than six months prior to the date of the transaction.

5.13. The provisions of Rules 5.9 to 5.12, inclusive, apply, with necessary changes, to a secondary distribution of securities issued by a Dealer Member corporation or a holding company of a Dealer Member corporation if the securities are derived from a control position or the distribution will result in the creation of a public trading market.

Dealer Member Advisory and Related Activities

- 5.14. No Dealer Member shall permit the acquisition by any customer account over which the Dealer Member has discretionary authority of securities issued by the Dealer Member or the holding company of the Dealer Member. This prohibition applies notwithstanding any consent obtained from the customer and whether the securities are in the course of distribution or are being traded in the secondary market.
- 5.15. Solicitations by a Dealer Member corporation as to transactions in securities issued by it or a holding company of the Dealer Member corporation,
 - (a) Are, subject to Rule 5.14, permitted in the course of a distribution made with a prospectus or other document containing disclosure as required by the relevant securities legislation and

this Rule 5 and in making private sales that qualify as a private placement under the relevant securities legislation;

- (b) Are prohibited in the course of a distribution not described in Rule 5.15(a) and are prohibited as to secondary market trading, but nothing herein prohibits a Dealer Member from carrying out an unsolicited order for such securities;

And, for greater certainty, nothing herein prevents a Dealer Member corporation from accepting securities issued by it or a holding company of the Dealer Member corporation as securities for a margin account.

- 5.16. A Dealer Member corporation shall not issue research reports or opinion letters as to participating or voting securities issued by it or a holding company of the Dealer Member corporation.
- 5.16A. A Dealer Member or a related company of a Dealer Member or a partner, director, officer, employee or associate of either of them shall be deemed not to have breached any provision of Rules 5.9 to 5.16, inclusive, in connection with any trade or activity if conducted in compliance with any securities legislation or rule, policy, directive or order of any securities commission which specifically applies to the trade or activity.

Approvals

- 5.17. Application for any approval or exemption required by this Rule 5 shall be made to the Corporation in such form as the Board of Directors may from time to time prescribe and giving such other information as may be required by the Rules. The Corporation shall forthwith forward an application for approval or exemption to the Board of Directors or the applicable District Council as this Rule 5 may require. The applicant for approval or exemption may be required to pay such fees as the Board of Directors may from time to time direct. A person approved or granted an exemption for the purpose of this Rule 5 and the Dealer Member or holding company in respect of which he is approved or exempted shall report in writing to the Corporation within ten days of the event any change in the information submitted pursuant to the application for approval or exemption including, without limitation, any required information with respect to criminal or bankruptcy proceedings pertaining to such person.
- 5.18. The Board of Directors or the applicable District Council, as the case may be, shall have power in its discretion to approve or refuse an application for approval or exemption or to withdraw any approval or exemption theretofore granted.

RULE 6

DEALER MEMBER HOLDING COMPANIES, RELATED COMPANIES AND DIVERSIFICATION

Holding Companies

- 6.1. A holding company may not be the holding company of more than one Dealer Member corporation, except in the following circumstances:
 - (i) A holding company may be the holding company of more than one Dealer Member corporation if it owns all of the voting and all of the participating securities of each of them, or
 - (ii) The prior consent of the applicable District Council is obtained.

- 6.2. Each Dealer Member agrees to cause each of its holding companies carrying on business in Canada to comply with the Rules pertaining to a holding company of a Dealer Member corporation and with the requirements of the Board of Directors, applicable District Council, or any other relevant body of the Corporation pertaining to a holding company of a Dealer Member corporation. A Dealer Member shall be deemed not to be in compliance with the Rules unless it has provided the applicable District Council with evidence that each of its holding companies carrying on business in Canada is legally bound to comply with the Rules or requirements pertaining to such holding company.

Related Companies

- 6.3. No Dealer Member or partner, director, officer, investor or employee of a Dealer Member shall form, maintain or have any interest in a related company or associate without the prior approval of the applicable District Council.
- 6.4. Each related company of a Dealer Member shall comply with all of the Rules and Rulings of the Corporation except to the extent that any individual or class of Dealer Member or related company shall be exempted from such compliance by the Board of Directors. The Board of Directors or the relevant District Council, as the case may be, shall have the same rights and powers under the Rules of the Corporation with respect to related companies of a Dealer Member as such Board or Councils respectively has or have with respect to a Dealer Member.
- 6.5. A Dealer Member may, with the prior approval of the applicable District Council, have a wholly owned subsidiary whose principal business is that of a broker or dealer in securities or an adviser respecting securities.

Financial Assistance

- 6.6.
- (1) Each Dealer Member shall be responsible for and shall guarantee the obligations to clients incurred by each of its related companies, and each related company shall be responsible for and shall guarantee the obligations of the Dealer Member to its clients on the following basis:
- (a) Where a Dealer Member holds an ownership interest in a related company, the Dealer Member shall provide a guarantee in an amount equal to 100% of the Dealer Member's capital employed;
 - (b) Where a Dealer Member holds an ownership interest in a related company, the related company shall provide a guarantee to the Dealer Member in an amount equal to the percentage of the related company's capital employed that corresponds to the percentage of ownership interest the Dealer Member holds in the related company; and
 - (c) Where two related companies are related because of a common ownership interest held by the same person(s), each related company shall provide a guarantee of the other in an amount equal to the percentage of its capital employed that corresponds to the percentage ownership interest held by the person(s) who holds the common ownership interest.

- (2) A guarantee shall not be required in accordance with paragraph (1) where the Board of Directors in its discretion determines that a guarantee is not appropriate.
- (3) A guarantee shall be required in excess of the amount prescribed in paragraph (1) where the Board of Directors in its discretion determines that such a guarantee is appropriate.
- (4) A guarantee required pursuant to this Rule 6.6 shall be in the form prescribed from time to time by the Board of Directors.

Diversification

- 6.7. No Dealer Member or related company shall carry on any business other than securities related activities without the prior approval of the applicable District Council but a Dealer Member or holding company of a Dealer Member may own an investment in a corporation (other than the Dealer Member) that carries on activities other than securities related activities and in respect of which the Dealer Member is not responsible for any of its liabilities. Each Dealer Member and holding company of a Dealer Member shall give notice in writing to the Corporation prior to acquiring any investment in such a corporation.

Notwithstanding the provisions of this Rule 6.7, a mutual fund dealer which is a related company in respect of a Dealer Member, and the directors, officers, employees or representatives of such mutual fund dealer, may deal in or sell contracts of life insurance issued by an insurer licensed or registered pursuant to applicable Canadian federal or provincial legislation.

RULE 7**DEALER MEMBER DIRECTORS AND EXECUTIVES****7.1 Definitions**

For the purposes of this Rule 7, “actively engaged in the business of the Dealer Member” means, participating in any regular business activities of the Dealer Member, but shall not include participation in meetings of the board of directors or related corporate governance committees of the board of directors or occasional referrals to the Dealer Member where such referrals do not result from solicitation of business on behalf of the Dealer Member.

7.2 Approval

No person may be a Director or Executive of a Dealer Member unless that person has been approved as such by the Corporation.

7.3 Directors

- (a) At least 40% of the Directors of a Dealer Member must:
 - (1) Either:
 - (A) Be actively engaged in the business of the Dealer Member and devote the major portion of their time to the securities industry, except those on active government services, or who for health reasons are prevented from such active engagement;
 - or,

- (B) Occupy equivalent positions at related or affiliated securities dealers or affiliated financial institutions;

and

- (2) Have satisfied the applicable proficiency requirements in Rule 2900, Part I.A(2); and
 - (3) Have experience acceptable to the Corporation in the financial services industry for at least five years or such lesser period as may be approved by the Corporation.
- (b) The remaining Directors of a Dealer Member, if actively engaged in the business of the Dealer Member or a related company of the Dealer Member must have the qualifications described in paragraphs 7.3(a)(1) and (2).

7.4 Executives

- (a) All of the Executives of a Dealer Member must:
- (1) Be actively engaged in the business of the Dealer Member and devote the major portion of their time to the securities industry, except those on active government services, or who for health reasons are prevented from such active engagement; or,
 - (2) Occupy equivalent positions at related or affiliated securities dealers, or affiliated financial institutions; and
 - (3) Have satisfied the applicable proficiency requirements outlined in Rule 2900, Part I.A(2);
- (b) Not less than 60% of the Executives of a Dealer Member must have experience acceptable to the Corporation in the financial services industry for at least five years or such lesser period as may be approved by the Corporation.

7.5 Exemptions

The applicable District Council may grant an exemption, in whole or in part, from any requirement under Rules 7.3 and 7.4, where it is satisfied that to do so would not be prejudicial to the interest of the Dealer Member, its clients, the public or the Corporation and, in granting such an exemption, it may impose such terms and conditions as it considers necessary.

7.6 Persons Owning or Controlling a Significant Equity Interest in a Dealer Member

- (a) Any Director of a Dealer Member who directly or indirectly owns or controls a voting interest in the Dealer Member of 10% or more must have the proficiency requirement outlined in Rule 2900, Part I.A(2)(a);
- (b) Any person other than a Director of a Dealer Member, who is actively engaged in the business of a Dealer Member and directly or indirectly owns or controls a voting interest in the Dealer Member of 10% or more must have the proficiency requirement outlined in Rule 2900, Part I.A(2)(a).

7.7 Remuneration of Directors and Executives

No Director or Executive of a Dealer Member shall accept or permit any associate to accept, directly or indirectly, any remuneration, gratuity, advantage, benefit or any other consideration from any person other than the Dealer Member, its affiliates or related companies, in respect of the activities

carried out by the Director or Executive on behalf of the Dealer Member, its affiliates or related companies in connection with the securities-related activities of any of them.

7.8 Jurisdiction

Every person whose application for approval as a Director or Executive of a Dealer Member has been accepted is subject to the jurisdiction of the Corporation, must comply with the Rules of the Corporation as they are from time to time amended or supplemented and, if such approval is subsequently revoked, must forthwith terminate his or her relationship as a Director or Executive with the Dealer Member in respect of which he or she is approved at the time of such revocation.

7.9 Late Filing Fees re Executives and Directors

A Dealer Member is liable for and must pay the Corporation fees in the amounts prescribed from time to time by the Board for the failure of the Dealer Member to file within ten business days after the end month a report in writing with respect to the conditions imposed on approval or continued approval of a Director or Executive pursuant to Rule 20.

RULE 8

DEALER MEMBER RESIGNATIONS, AMALGAMATIONS, ETC.

8.1. Repealed.

8.2. Dealer Member which tenders its resignation shall in its letter of resignation state its reasons for resigning and shall file with the Secretary one of:

- (a) A balance sheet of the Dealer Member reported upon by the Dealer Member's Auditor without qualification as of such date as the Corporation may require which balance sheet shall indicate that the Dealer Member has liquid assets sufficient to meet all its liabilities other than subordinated loans, if any; or
- (b) A report from the Dealer Member's Auditor without qualification that in his or her opinion the Dealer Member has liquid assets sufficient to meet all its liabilities other than subordinated loans, if any;

And a report from the Dealer Member's Auditor that clients' free securities are properly segregated and earmarked. If the financial information required by (a) or (b) above is not filed with the letter of resignation the Dealer Member shall indicate in the letter of resignation the date by which such financial information shall be filed.

8.3. Notwithstanding the provisions of Rule 8.2 if the whole or a substantial part of the business and assets of a Dealer Member which is resigning (the "resigning Dealer Member") is being acquired by another Dealer Member (the "remaining Dealer Member"), the resigning Dealer Member may with the approval of the Board of Directors, file (in lieu of the documents required by Rule 8.2(a) or (b)), a letter signed by the remaining Dealer Member under which the remaining Dealer Member accepts responsibility for all outstanding liabilities of the resigning Dealer Member and certifies that the remaining Dealer Member has sufficient liquid assets to meet all liabilities, other than subordinated loans, if any, of both the remaining Dealer Member and the resigning Dealer Member.

- 8.3A. Notwithstanding the provisions of Rule 8.2 and 8.3, if two or more Dealer Members are amalgamated and continue as one Dealer Member (the "continuing Dealer Member"), the continuing Dealer Member may with the approval of the Board of Directors file (in lieu of the documents required by Rule 8.2(a) or (b)) an acknowledgement and undertaking by the continuing Dealer Member that such Dealer Member accepts responsibility for outstanding fees and all liabilities (outstanding, incurred, contingent or otherwise) of the two or more Dealer Members which are amalgamating and certifies that the continuing Dealer Member has sufficient liquid assets to meet all such liabilities (other than subordinated loans, if any). Unless otherwise determined by the Board of Directors, two or more Dealer Members which amalgamate and continue as one Dealer Member shall not be considered to be a new Dealer Member or a new entity which must re-apply for Membership. Those Dealer Members not continuing due to Amalgamation shall surrender their Membership in the Corporation as part of the amalgamation process. A "surrender" of Membership shall be considered a resignation for purposes of Rule 8.7.
- 8.3AA Notwithstanding the provisions of Rule 8.2, if a Dealer Member and a non-Dealer Member are amalgamated and the Dealer Member wishes the continuing entity to continue as a Dealer Member, the Dealer Member shall not be required to comply with the provisions of Rule 8.2 if both the Dealer Member and the non-Dealer Member have provided the Corporation with all such financial information as it may require and the Corporation is satisfied with such financial information.
- 8.3B. Repealed.
- 8.4. Notice of such letter of resignation shall forthwith be given by the Secretary to the Board of Directors, the applicable District Council, all other Dealer Members, the securities commissions of all of the provinces of Canada and the Bank of Canada.
- 8.5. Unless the Board of Directors, in its discretion otherwise declares, a resignation shall take effect as of the close of business (5:00 p.m. head office local time), on the date the Secretary receives from the Dealer Member's Auditor a written statement certifying that, in their opinion, based on the balance sheet and/or reports referred to in Rule 8.2, the Dealer Member has liquid assets sufficient to meet all its liabilities other than subordinated loans, if any, and if, to the knowledge of the Secretary after due enquiry, the Dealer Member is not indebted to the Corporation and no complaint against the Dealer Member or any investigation of the affairs of the Dealer Member is pending.
- 8.6. When a Dealer Member signifies in writing its intention to resign, the Secretary shall so advise the Dealer Member resigning and all other Dealer Members, the Board of Directors, the securities commissions of all of the provinces of Canada, the Bank of Canada, and such other persons or bodies as the Secretary may decide through the issuance of a Bulletin within one week of such notification. Similarly, the same shall occur when the resignation of a Dealer Member becomes effective.
- 8.7. A Dealer Member resigning from the Corporation shall make full payment of its Annual Fees for the fiscal year in which such Dealer Member tenders its resignation. A Dealer Member resigning from the Corporation shall not be entitled to a refund of any part of the Annual Fee for the fiscal year in which its resignation becomes effective unless such resignation is complete in all respects by June

30. For the period April 1 to June 30 the resigning Dealer Member will be subject to monthly pro rata annual fees; part months will be considered as full months. For purposes of this provision, the resignation of a Dealer Member shall be considered effective upon receipt by the Corporation of all fees, and all required documentation, including the results of a termination audit.

- 8.8. If a Dealer Member has ceased to carry on business as a securities dealer or its business has been acquired by an individual, firm or corporation who or which, as the case may be, is not a Dealer Member of the Corporation, the applicable District Council may, unless the Dealer Member has voluntarily resigned in accordance with this Rule 8, terminate the Membership of the Dealer Member after the Dealer Member has been given the opportunity for a hearing in accordance with the provisions of Rule 20.11. A former Dealer Member whose Membership has been terminated pursuant to the provisions of this Rule 8.8 shall cease to be entitled to exercise any of the rights and privileges of Membership but shall remain liable to the Corporation for all amounts due to the Corporation from the former Dealer Member.

RULE 17

DEALER MEMBER MINIMUM CAPITAL, CONDUCT OF BUSINESS AND INSURANCE

- 17.12. No Dealer Member shall on less than 20 days' prior notice (i) to the Corporation, change its name, effect or permit any change in its constitution affecting voting rights, take any steps to dissolve, wind-up, surrender its charter or liquidate or dispose of all or substantially all of its assets, (ii) to the Corporation, effect or permit any alteration in its capital structure including the allotment, issue, repurchase, redemption, cancellation, subdivision or consolidation of any shares in its capital. In either case, the Dealer Member shall not proceed with such action if within such 20-day period it is advised that the matter is to be submitted to the applicable District Council for approval. The applicable District Council may review any matter so submitted to it and either approve or disapprove of the proposed action if it considers that the action may result in the Dealer Member being unable to comply with the Rules of the Corporation.
- 17.14. A Dealer Member engaged in trading in any securities or commodity futures contracts or options listed on or issued by a recognized stock exchange, commodity futures exchange, clearing or service corporation, or other listing or issuing organization, as the case may be, in respect of which the Rules or any Rulings do not prescribe specific standards or requirements, shall comply with the provisions of the relevant bylaws and regulations of such stock exchange, commodity futures exchange, clearing or service corporation, or other listing or issuing organization in effect from time to time to the extent not inconsistent with the Rules. For the purposes of this Rule 17.14, the Board of Directors shall, from time to time, designate recognized stock exchanges, futures exchanges, clearing or service corporations, or other listing or issuing organizations.

RULE 18

REGISTERED REPRESENTATIVES AND INVESTMENT REPRESENTATIVES

18.1. Repealed.

- 18.2. (a) No person may act and no Dealer Member may permit any person to act as a Registered Representative or Investment Representative on behalf of the Dealer Member unless:
- (i) The Dealer Member is registered or licensed to trade, as the case may be, in securities or futures contracts under the statutes relating to the sale of securities or futures contracts in all jurisdictions in which customers of the Dealer Member reside or is exempt from the registration or licensing requirements under those statutes;
 - (ii) The person is registered or licensed to trade, as the case may be, in securities or futures contracts under the statutes relating to the sale of securities or futures contracts in all jurisdictions in which customers of the person reside or is exempt from the registration or licensing requirements under those statutes ; and
 - (iii) The Corporation has approved the person as a Registered Representative or Investment Representative under this Rule.
- (b) A Dealer Member must notify the Corporation of the types of businesses which a Registered Representative or Investment Representative will conduct, as follows:
- (i) **Customer Type:** the types of customers the Registered Representative or Investment Representative will deal with, either:
 - A. retail business – taking orders from or giving advice to all types of customers regarding trades in securities, or
 - B. institutional business – restricted to taking orders from or giving advice to Institutional Customers
 - (ii) **Product(s):** the types of financial instruments in which the Registered Representative or Investment Representative will deal, being:
 - A. restricted to mutual funds, Government or Government-guaranteed debt instruments and deposit instruments issued by a federally-regulated bank, trust company, credit union or caisse populaire, excluding those on which all or part of the interest or return is indexed to the performance of another financial instrument or index
 - B. general securities business, including equities, fixed income and other investment products other than options or futures
 - C. options business
 - D. futures contracts and futures contracts options
 - (iii) **Portfolio Management:** whether the Registered Representative will engage in discretionary portfolio management under the provisions of Rule 1300.

- (c) A person may not conduct on behalf of a Dealer Member and a Dealer Member may not permit a person to conduct on its behalf a type of business described in (b) unless the Dealer Member has notified the Corporation:
 - (i) that the person will conduct the type of business; and
 - (ii) that the person has successfully completed the proficiencies required to conduct the type of business as specified in Rule 2900, Part I within the proficiency time limits specified in Rule 2900, Part II.

For the purposes of this subsection (c), an application to the Corporation for initial approval is notice that the person will conduct the types of business identified in the application.

- 18.3. (a) An applicant for approval as a Registered Representative or Investment Representative must complete or obtain an exemption from the applicable proficiency requirements in Rule 2900, Part I, section A.3(a) before the Corporation will grant approval.
- (b) A Dealer Member must take reasonable steps to ensure that all of its Registered Representatives and Investment Representatives are proficient and understand the products they trade in or advise on to a sufficient degree to meet the requirements of the Rules of the Corporation. At a minimum, the Dealer Member must ensure that all Registered Representatives and Investment Representatives meet the applicable proficiency requirements of Rule 2900.
- 18.4. The approval of a Registered Representative is suspended automatically if the person fails to satisfy the requirement in paragraph A.3(b) of Part I of Rule 2900 until the person has satisfied the requirement.
- 18.5. Repealed.
- 18.6. (a) A Dealer Member must closely supervise a Registered Representative or Investment Representative who conducts retail business in accordance with the “Registered / Investment Representative Monthly Supervision Report” as specified by the Corporation for a period of six months after the Corporation is notified that the person will deal with retail customers. The Dealer Member must keep this report for inspection by the Corporation.
- (b) Subsection (a) does not apply if:
 - (i) the Registered Representative was previously approved for six months or more to advise on trades for retail customers for a securities firm which is a member of a self-regulatory organization or a recognized foreign self-regulatory organization; or
 - (ii) the Investment Representative was previously approved for six months or more to advise on trades or to trade for retail customers for a securities firm which is a member of a Self-Regulatory Organization or a recognized foreign self-regulatory organization.
- 18.7. (a) A Registered Representative or Investment Representative qualified to conduct mutual funds business only must:
 - (i) within 270 days of initial approval, complete the proficiency requirements in Rule 2900, Part I, sections A.3(a)(i)(A) and (B); and
 - (ii) within 18 months of initial approval, complete the training programme required under Rule 2900, Part I, section A.3(a)(i)(C).

- (b) A Dealer Member must notify the Corporation:
 - (i) when a Registered Representative or Investment Representative restricted to mutual funds business only has completed the requirements in each of subsections (a)(i) and a(ii); and
 - (ii) within 18 months of initial approval, that the Registered Representative or Investment Representative will conduct either retail or institutional business without restriction to mutual funds.
- (c) Subsections (a) and (b) do not apply to a Registered Representative or Investment Representative who was restricted to mutual funds only on the date on which this section becomes effective and who is registered only in Provinces in which a restriction on an Investment Representative or Registered Representative with a Dealer Member to mutual funds business only complies with the securities legislation, rules and policies of the Province.
- (d) The approval of a Registered Representative or Investment Representative is suspended automatically if the person fails to satisfy the requirement in paragraph (a) until the person has satisfied the requirements and notified the Corporation.

18.8. Repealed.

18.9. Repealed.

18.10. Repealed.

18.11. (a) A Registered Representative or Investment Representative of a Dealer Member is subject to the jurisdiction of the Corporation, must comply with the Rules and Rulings of the Corporation as the same are from time to time amended or supplemented.

- (b) If the approval of a Registered Representative or Investment Representative is revoked, the Registered Representative or Investment Representative must immediately cease acting as a Registered Representative or Investment Representative of his or her Dealer Member.

18.12. Repealed.

18.13. Repealed.

18.14. A Registered Representative or Investment Representative may have, and continue in, another gainful occupation if:

- (a)
 - (i) Either the Registered Representative's or Investment Representative's other gainful occupation is in a remote area where there is no office of a broker or dealer in securities and the Registered Representative's or Investment Representative's activities as such are limited to such remote area in which he or she resides; or
 - (ii) The securities commission in the jurisdiction in which the Registered Representative or Investment Representative acts or proposes to act as a Registered Representative or Investment Representative, or the securities legislation or policies administered by such securities commission, specifically permit him or her to devote less than his or her full time to the securities business of the Dealer Member employing him or her; and
- (b) Repealed.

- (c) The Dealer Member establishes and maintains procedures acceptable to the Corporation to ensure continuous service to clients and to address potential problems of conflict of interest; and
 - (d) Any other occupation of the Registered Representative or Investment Representative is not
 - (i) One which would bring the securities industry into disrepute; or
 - (ii) With another dealer that is a member of a recognized self-regulatory organization unless
 - (1) Such dealer is a related company of the Dealer Member employing the Registered Representative or Investment Representative and the Dealer Member and related company provide cross-guarantees pursuant to Rule 6.6, and
 - (2) Such dual employment is not contrary to the provisions of the applicable securities legislation or any policy made pursuant thereto.
- 18.15. No Registered Representative or Investment Representative may accept or permit any associate to accept, directly or indirectly, any remuneration, gratuity, benefit or any other consideration from any person other than the Dealer Member or its affiliates or related companies, for the securities-related activities her or she conducts on behalf of the Dealer Member or its affiliates or its related companies.
- 18.16. No Dealer Member shall permit a Registered Representative or Investment Representative to use a designation when dealing with the public that wrongly indicates that he or she conducts or has been approved by the Corporation to conduct a type of business or fulfils or has been approved by the Corporation to fulfil a role.
- 18.17. Repealed.
- 18.18. Each Dealer Member is liable for and must pay to the Corporation fees in the amounts prescribed from time to time by the Board for the failure of the Dealer Member to file within ten business days of the end of each month a report with respect to the conditions imposed under Rule 20 on the approval or continued approval of a Registered Representative, or Investment Representative of the Dealer Member pursuant to Rule 20.

RULE 22

USE OF NAME OR LOGO: LIABILITIES: CLAIMS

- 22.1. No Dealer Member shall use the name or logo of the Corporation on letterheads or in any circulars or other advertising or publicity matter, except in accordance with Rule 700.1. The Board of Directors may determine terms or conditions regarding a Dealer Member's use of the name or logo of the Corporation. The Board of Directors may at its sole discretion require a Dealer Member to cease using the name or logo of the Corporation. Any use by a Dealer Member of the name or logo of the Corporation name shall not have the effect of granting to the Dealer Member any proprietary interest in the Corporation's name or logo.
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RULE 29
BUSINESS CONDUCT

29.7A.

(1) Ownership of Trade Name

Subject to subsection (7) all business carried on by a Dealer Member or by any person on its behalf shall be in the name of the Dealer Member or a business or trade or style name owned by the Dealer Member, an Approved Person in respect of the Dealer Member or an affiliated corporation of either of them.

(2) Approval of Trade Name

No Approved Person shall conduct any business in accordance with subsection (1) in a business or trade or style name that is not owned by the Dealer Member or its affiliated corporation unless the Dealer Member has given its prior written consent.

(3) Notification of Trade Name

Prior to the use of any business or trade or style name other than the Dealer Member's legal name, the Dealer Member shall notify the Corporation.

(4) Transfer of Trade Name

Prior to the transfer of a business or trade or style name to another Dealer Member, the Dealer Member shall notify the Corporation.

(5) Single Use of Trade Name

Except where Dealer Members are related or affiliated, no Dealer Member or Approved Person shall use any business or trade or style name that is used by any other Dealer Member unless the relationship with such other Dealer Member is that of an introducing broker/carrying broker arrangement, pursuant to Rule 35.

(6) Legal Name

The Dealer Member's full legal name shall be included in all contracts, account statements and confirmations.

(7) Trade Name of Approved Person to Accompany Legal Name

A business or trade or style name used by an Approved Person may accompany, but not replace, the full legal name of the Dealer Member on materials that are used to communicate with the public. The Dealer Member's legal name must be at least equal in size to the business or trade or style name used by the Approved Person.

For greater certainty, "materials" that are used to communicate with the public include, but are not limited to, the following:

- (a) Letterhead;
- (b) Business Cards;

- (c) Invoices;
- (d) Trade Confirmations;
- (e) Monthly Statements;
- (f) Websites;
- (g) Research Reports; and
- (h) Advertisements.

(8) Misleading Trade Name

No Dealer Member or Approved Person shall use any business or trade or style name that is deceptive, misleading or likely to deceive or mislead the public.

(9) Prohibition on Use of Trade Name

The Corporation may prohibit a Dealer Member or Approved Person from using any business or trade or style name in a manner that is contrary to the provisions of this Rule or is objectionable or contrary to the public interest.

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29.11. No Dealer Member shall pay or make any payment on account or in respect of any debt owing by such Dealer Member to any creditor of such Dealer Member contrary to the provisions of, or otherwise fail to comply with, any subordination or other agreement to which such Dealer Member and the Corporation are parties.

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29.14.

(a) Definitions. For the purposes of these Rules 29.14 to 29.25, the term:

"Advertising" means any promotional material used in or on any newspaper, magazine, radio, video, television, telephone or cassette recording, motion picture, slide presentation or sign or billboard;

"Applicable Securities Laws" means:

- (i) Ontario Securities Commission Rule 61-501 relating to Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions; and
- (ii) section 190 of the *Business Corporations Act* (Ontario);

"Corporation Standards" means the disclosure standards specified in Rules 29.14 through 29.24;

"CIPF" means Canadian Investor Protection Fund and "FCPE" means Fonds canadien de protection des épargnants;

"CIPF official explanatory statement" means the following statement:

"Customers' accounts are protected by the Canadian Investor Protection Fund within specified limits. A brochure describing the nature and limits of coverage is available upon request."

Or such other statement as may be prescribed as such by CIPF from time to time for use by Members;

"CIPF official brochure" means any brochure or publication prescribed as such by CIPF for use by Members;

"CIPF official symbol" means the symbol, mark or other designation prescribed as such by CIPF for use by Dealer Members with the word "Dealer Member" appearing on top of the official symbol;

"Fairness Opinion" means a report of a Valuer that contains the Valuer's opinion as to the fairness, from a financial point of view, of a transaction;

"Formal Valuation" means a report of a Valuer that contains the Valuer's opinion as to the value or range of values of the subject matter of the valuation;

"Professional Opinion" means a Formal Valuation or a Fairness Opinion;

"Subject Transaction" means an insider bid, issuer bid, going private transaction or related party transaction as each such term is defined in Applicable Securities Laws; and

"Valuer" means the person who provides a Professional Opinion.

The terms "disclosure document", "interested party" and "prior valuation" as used in these Rules 29.14 to 29.25 have the same respective meanings as in Applicable Securities Laws.

- (b) Display at Premises. Each Dealer Member shall conspicuously display in a prominent place at each of its locations to which customers have access the CIPF official symbol. No Dealer Member shall be required to display the CIPF official symbol until 30 days after the first day of operation as a Dealer Member.
- (c) Account Statements and Confirmations. Each Dealer Member shall include on the front of each confirmation and account statement sent to a customer the CIPF official symbol, and shall also include in legible print on either the front or the back (at the Dealer Member's option) of each confirmation and account statement sent to a customer the CIPF official explanatory statement in either English or French. No Dealer Member need comply with this paragraph (c) until its existing supplies of confirmation forms and account statements have been exhausted or until a date which is one year after the date this Rule comes into force, whichever is the earlier.
- (d) CIPF Official Brochure. Each Dealer Member shall make available to its customers on request the current version of the CIPF official brochure in either English or French as requested.
- (e) Advertising. Each Dealer Member shall include in any written, visual or audio advertising the words "Member CIPF" together with, at the option of the Dealer Member, a reproduction of the CIPF official symbol. Except as provided in this paragraph (e), no Dealer Member shall display any symbol relating to CIPF other than the CIPF official symbol or include any symbol, statement or explanation relating to CIPF or the Members' membership in CIPF in any

advertising, promotional or other materials other than the CIPF official symbol or CIPF official explanatory statements.

- (f) Members of CIPF. For the purposes only of complying with this Rule 29.14 and to the extent permitted by CIPF from time to time, Dealer Members shall identify themselves as members of CIPF.
 - (g) English/French Language. Subject to applicable laws, a Dealer Member may comply with the requirements of this Rule in either the English or French language.
 - (h) Termination of Membership. Upon the termination or suspension of its Membership, each Dealer Member shall immediately cease using the CIPF official explanatory statement, CIPF official brochure or CIPF official symbol, and shall cease identifying itself as a member of CIPF.
 - (i) Exemptions. A Dealer Member may be exempted from all or part of the requirements of paragraph (e) of this Rule 29.14 to the extent prescribed by CIPF from time to time.
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RULE 31

INACTIVE STATUS

- 31.1. A Dealer Member wishing to be temporarily transferred to the category of Dealer Member with Inactive Status shall apply to the Board of Directors in writing, in care of the Corporation, giving reasons for its request.
- 31.2. The Board of Directors may, having received an application referred to in Rule 31.1, transfer the Dealer Member to Inactive Status for such fixed period of time and subject to such terms and conditions as the Board of Directors may, in its sole discretion, deem advisable.
- 31.3. Notice of the transfer of a Dealer Member to Inactive Status shall forthwith be given by the Corporation to the Dealer Member transferring, all other Dealer Members and to such other persons as the Board of Directors may direct.
- 31.4. Unless a Dealer Member with Inactive Status has applied to the Board of Directors in writing, in care of the Corporation, at least 30 days prior to the expiration of the period of time established by the Board of Directors pursuant to Rule 31.2, for an extension of the time during which such Dealer Member shall remain a Dealer Member with Inactive Status and the Board of Directors has approved an extension for such further period and subject to such terms and conditions as the Board of Directors may, in its sole discretion, deem advisable, the Dealer Member with Inactive Status shall automatically resume the status of a Dealer Member at the expiration of the period of time originally established by the Board of Directors.
- 31.5. Upon the expiration of the extended period of time fixed by the Board of Directors pursuant to Rule 31.4 the Dealer Member with Inactive Status shall resume the status of a Dealer Member.

RULE 35
INTRODUCING BROKER/CARRYING BROKER ARRANGEMENTS

35.1. General

- (a) For the purposes of this Rule 35:
 - (i) "Carrying Broker" means the Dealer Member or member of a self-regulatory organization that is a participating institution in the Canadian Investor Protection Fund that carries client accounts, which at a minimum includes the clearing and settlement of trades, the maintenance of books and records of client transactions and the custody of some or all client funds and securities;
 - (ii) "Introducing Broker" means the Dealer Member or member of a self-regulatory organization that is a participating institution in the Canadian Investor Protection Fund that introduces client accounts to the carrying broker;
 - (iii) "Canadian Financial Institution" means a Schedule I or Schedule II Bank pursuant to the Bank Act (Canada), an insurance company governed by federal or provincial insurance legislation and a loan or trust company governed by federal or provincial loan and trust company legislation.
- (b) A Dealer Member may, with the approval of the applicable District Council and if otherwise in compliance with the terms of this Rule and any requirements of the regulatory authority in the jurisdiction of the introducing broker, carry accounts of clients introduced to it by:
 - (i) Another Dealer Member; or
 - (ii) A member of a self-regulatory organization that is a participating institution in the Canadian Investor Protection Fund.
- (c) A Dealer Member shall not introduce accounts to any person other than:
 - (i) Another Dealer Member; or
 - (ii) A member of a self-regulatory organization that is a participating institution in the Canadian Investor Protection Fund.
- (d) For the purposes of this Rule 35, arrangements whereby employees of a Dealer Member's affiliated Canadian financial institution handle securities clearance and settlement, maintain records and perform operational functions on behalf of the Dealer Member shall not be considered to be introducing/carrying arrangements for the purposes of this Rule 35, provided that pursuant to the arrangement, the employees of the Dealer Member's affiliated Canadian financial institution handle custodial functions on a segregated basis in accordance with the segregation provisions of the Rule.
- (e) Except as otherwise provided herein, an introducing broker may introduce clients to only one carrying broker. An introducing broker that introduces clients to a carrying broker shall enter into a written contract with the carrying broker to which it introduces clients defining, to an extent determined from time to time by the Corporation the rights and obligations between them.

- (i) Dealer Members who enter into an introducing broker/carrying broker arrangement must enter into a written contract in a form prescribed from time to time by the Corporation and each such introducing broker/carrying broker arrangement shall come into effect only after it is approved by the Corporation;
- (ii) An introducing broker that is party to an Introducing Type 1 or Type 2 Arrangement cannot enter into more than one introducing broker/carrying broker arrangement other than one additional introducing broker/carrying broker arrangement exclusively for trading in futures contracts and options;
- (iii) An introducing broker that is party to an Introducing Type 1 or Type 2 Arrangement shall not fully service any part of its securities-related activities, other than fully servicing trading in futures contracts and options;
- (iv) An introducing broker that is party to an Introducing Type 1 Arrangement shall carry out trade settlement and custody of securities related to its principal trading through the facilities of the carrying broker; and
- (v) An introducing broker that is party to an Introducing Type 3 or Type 4 Arrangement may enter into more than one introducing broker/carrying broker arrangement and may also fully service part of its securities-related activities.
- (f) Each introducing or carrying broker that is a party to an introducing broker/carrying broker arrangement and that is not a Dealer Member, and each of such introducing or carrying brokers' partners, directors, officers, shareholders and employees, shall comply with all Rules, Rulings and Forms of the Corporation.
- (g) Each introducing broker/carrying broker arrangement must be classified as an Introducing Type 1, Type 2, Type 3 or Type 4 Arrangement and must meet the requirements for such arrangement as set out in this Rule 35.
- (h) A Dealer Member may apply for an exemption from the requirements of Rule 35 in accordance with Rule 20.25.

35.2. Introducing Type 1 Arrangement

For an introducing broker/carrying broker arrangement to be considered an Introducing Type 1 Arrangement, the parties shall execute an agreement in the form prescribed and approved by the Corporation and the arrangement shall meet the following criteria:

(a) Minimum Capital Requirement

An introducing broker that is a party to an Introducing Type 1 Arrangement must maintain at all times minimum capital of \$75,000 for the purposes of calculating its risk adjusted capital.

(b) Margin Arising from Principal and Agency Business

- (i) The carrying broker shall calculate and maintain the margin for any agency business that it carries on behalf of the introducing broker in accordance with the relevant margin requirements of the Corporation.
- (ii) The introducing broker shall calculate and maintain the margin for any principal business carried on its behalf by the carrying broker in accordance with the relevant

margin requirements of the Corporation. The carrying broker shall provide for margin for any principal business which it carries on behalf of the introducing broker to the extent of any equity deficiency in the introducing broker's trading account.

(c) Margin Offsets Permitted

The carrying broker shall be permitted to offset any margin required to be maintained as determined in subparagraph (b) against the loan value of any deposits made by the introducing broker to the extent of the excess risk adjusted capital of the introducing broker. The carrying broker shall notify the introducing broker of all such offsets at the time of such offset. Upon receiving notification of such offset, the introducing broker shall reclassify that portion of the deposit which relates to the margin offset as a non-allowable asset on its Form 1 (Joint Regulatory Financial Questionnaire and Report) or Monthly Financial Report.

(d) Reporting of Client Balances

In calculating the risk adjusted capital required pursuant to Rule 17.1 and Form 1, the carrying broker shall, and the introducing broker shall not, report all accounts of the clients introduced to the carrying broker by the introducing broker on the carrying broker's Form 1 or Monthly Financial Report.

(e) Net Client Balances/Funding Deployment

In relation to the accounts of clients introduced to the carrying broker by the introducing broker, the carrying broker shall be responsible for meeting any financing requirements of such client accounts.

(f) Deposit

Any deposit provided to the carrying broker by the introducing broker pursuant to the terms of the agreement between them shall be segregated by the carrying broker and, in the case of a cash deposit, such deposit shall be held by the carrying broker in a separate bank account in trust for the introducing broker.

The deposit provided by the introducing broker to the carrying broker shall be reported by the introducing broker as an allowable asset on its Form 1 or Monthly Financial Report. However, any portion of the deposit that may be impaired in value due to the carrying broker carrying client accounts with unsecured debit balances on behalf of the introducing broker shall be reclassified as a non-allowable asset on the Form 1 or Monthly Financial Report of the introducing broker.

(g) Concentration Calculation

For the purposes of the concentration calculations required in Schedules 9 and 12 of Form 1, the carrying broker shall include, and the introducing broker shall not include, all client positions which the carrying broker maintains on behalf of the introducing broker in the carrying broker's calculation.

(h) Segregation of Client Securities

The carrying broker shall be responsible for segregating all securities for clients introduced to it by the introducing broker in accordance with the segregation requirements of the Rules.

(i) Free Credit Segregation

The carrying broker shall be responsible for complying with the free credit segregation requirements of the Rules in relation to accounts of clients introduced to it by the introducing broker.

(j) Insurance

- (i) The introducing broker shall maintain minimum insurance of \$200,000 for the purposes of Rule 400.4.
- (ii) The introducing broker and the carrying broker each shall be responsible for providing Financial Institution Bond Clause (A) coverage for fidelity insurance under Rule 400.2.
- (iii) The carrying broker shall include all accounts introduced to it by the introducing broker in its calculation of the asset measurement for minimum Financial Institution Bond coverage for Clauses (A) through (E) under Rule 400.2.
- (iv) Both the introducing broker and the carrying broker shall maintain adequate insurance for registered mail as required under Rule 400.1.

(k) Required Disclosure of the Opening of Client Accounts

At the time of opening each client account, the introducing broker shall obtain from the person opening the account an acknowledgement, in a form satisfactory to the Corporation, that the introducing broker has advised the client of the introducing broker's relationship to the carrying broker and of the relationship between the client and the carrying broker.

(l) Contracts, Statements and Correspondence

The name and role of each of the introducing broker and the carrying broker shall be shown on all contracts, statements, correspondence and other documentation, and shall both be parties to any margin agreements and guarantee documentation.

(m) Clients Introduced to the Carrying Broker

Each client introduced to the carrying broker by the introducing broker shall be considered a client of the carrying broker for the purposes of complying with the Rules, Rulings and Forms of the Corporation.

(n) Responsibility for Compliance with all Non-Financial Requirements

Unless otherwise specified in this Rule 35.2, the introducing broker and the carrying broker shall be jointly and severally responsible for the compliance with all non-financial requirements of the Rules, Rulings and Forms of the Corporation for each account introduced to the carrying broker by the introducing broker.

(o) Cash Transactions

The introducing broker may facilitate cash transactions on behalf of clients carried by the carrying broker only with the approval of the carrying broker through the use of an account in the name of the carrying broker.

(p) Reporting of Principal Positions

The introducing broker shall report all of its principal positions carried by the carrying broker as inventory on its Form 1 or Monthly Financial Report. The carrying broker shall report the principal positions of the introducing broker carried by it as a client account on its Form 1 or Monthly Financial Report.

35.3. Introducing Type 2 Arrangement

For an introducing broker/carrying broker arrangement to be considered an Introducing Type 2 Arrangement, the parties shall execute an agreement in the form prescribed and approved by the Corporation and the arrangement shall meet the following criteria:

(a) Minimum Capital Requirement

An introducing broker that is a party to an Introducing Type 2 Arrangement must maintain at all times minimum capital of \$250,000 for the purposes of calculating its risk adjusted capital.

(b) Margin Arising from Principal and Agency Business

- (i) The carrying broker shall calculate and maintain the margin for any agency business that it carries on behalf of the introducing broker in accordance with the relevant margin requirements of the Corporation.
- (ii) The introducing broker shall calculate and maintain the margin for any principal business carried on its behalf by the carrying broker in accordance with the relevant margin requirements of the Corporation. The carrying broker shall provide for margin for any principal business which it carries on behalf of the introducing broker to the extent of any equity deficiency in the introducing broker's trading account.

(c) Margin Offsets Permitted

The carrying broker shall be permitted to offset any margin required to be maintained as determined in subparagraph (b) against the loan value of any deposits made by the introducing broker to the extent of the excess risk adjusted capital of the introducing broker. The carrying broker shall notify the introducing broker of all such offsets at the time of such offset. Upon receiving notification of such offset, the introducing broker shall reclassify that portion of the deposit which relates to the margin offset as a non-allowable asset on its Form 1 (Joint Regulatory Financial Questionnaire and Report) or Monthly Financial Report.

(d) Reporting of Client Balances

In calculating the risk adjusted capital required pursuant to Rule 17.1 and Form 1, the carrying broker shall, and the introducing broker shall not, report all accounts of the clients introduced to the carrying broker by the introducing broker on the carrying broker's Form 1 or Monthly Financial Report.

(e) Net Client Balances/Funding Deployment

In relation to the accounts of clients introduced to the carrying broker by the introducing broker, the carrying broker shall be responsible for meeting any financing requirements of such client accounts.

(f) Deposit

Any deposit provided to the carrying broker by the introducing broker pursuant to the terms of the agreement between them shall be segregated by the carrying broker and, in the case of a cash deposit, such deposit shall be held by the carrying broker in a separate bank account in trust for the introducing broker.

The deposit provided by the introducing broker to the carrying broker shall be reported by the introducing broker as an allowable asset on its Form 1 or Monthly Financial Report. However, any portion of the deposit that may be impaired in value due to the carrying broker carrying client accounts with unsecured debit balances on behalf of the introducing broker shall be reclassified as a non-allowable asset on the Form 1 or Monthly Financial Report of the introducing broker.

(g) Concentration Calculation

For the purposes of the concentration calculations required in Schedule 9 and 12 of Form 1, the carrying broker shall include, and the introducing broker shall not include, all client positions which the carrying broker maintains on behalf of the introducing broker in the carrying broker's calculation.

(h) Segregation of Client Securities

The carrying broker shall be responsible for segregating all securities which it holds for clients introduced to it by the introducing broker in accordance with the segregation requirements of the Rules.

(i) Free Credit Segregation

The carrying broker shall be responsible for complying with the free credit segregation requirements of the Rules in relation to accounts of clients introduced to it by the introducing broker.

(j) Insurance

- (i) The introducing broker shall maintain minimum insurance of \$500,000 for the purposes of Rule 400.4.
- (ii) The introducing broker and the carrying broker each shall be responsible for providing Financial Institution Bond Clause (A) coverage for fidelity insurance under Rule 400.2.
- (iii) The carrying broker shall include all accounts introduced to it by the introducing broker in its calculation of the asset measurement for minimum Financial Institution Bond coverage for Clauses (A) through (E) under Rule 400.2.
- (iv) Both the introducing broker and the carrying broker shall maintain adequate insurance for registered mail as required under Rule 400.1.

(k) Required Disclosure of the Opening of Client Accounts

At the time of opening each client account, the introducing broker shall obtain from the person opening the account an acknowledgement, in a form satisfactory to the Corporation, that the introducing broker has advised the client of the introducing broker's relationship to the carrying broker and of the relationship between the client and the carrying broker.

(l) Contracts, Statements and Correspondence

At the option of the introducing broker and the carrying broker as they may agree, the name and role of each of the introducing broker and the carrying broker may be shown on any contracts, statements, correspondence and other documentation, otherwise the name of the introducing broker shall be shown. Notwithstanding the foregoing, all margin agreements and guarantee documentation shall be in the name of both the introducing broker and the carrying broker.

(m) Required Annual Disclosure

At least annually, the introducing broker shall provide written disclosure, in the form satisfactory to the Corporation, to each of its clients whose accounts are being carried by the carrying broker, outlining the relationship between the introducing broker and the carrying broker and the relationship between such client and the carrying broker. Notwithstanding the foregoing, if the name and role of each of the introducing broker and the carrying broker is shown on all contracts, statements, correspondence and other documentation in accordance with subparagraph (1) above, the introducing broker need not provide annual disclosure as required by this subparagraph (m).

(n) Clients Introduced to the Carrying Broker

Each client introduced to the carrying broker by the introducing broker shall be considered to be a client of the carrying broker for the purposes of complying with the Rules, Rulings and Forms.

(o) Responsibility for Compliance with all Non-Financial Requirements

Unless otherwise specified in this Rule 35.3, the introducing broker shall be responsible for the compliance with all non-financial requirements of the Rules, Rulings and Forms of the Corporation for each account introduced to the carrying broker by the introducing broker.

(p) Cash Transactions

The introducing broker may facilitate cash transactions on behalf of clients carried through the carrying broker through the use of an account in the name of either the carrying broker or the introducing broker.

(q) Reporting of Principal Positions

The introducing broker shall report all of its principal positions carried by the carrying broker as inventory on its Form 1 or Monthly Financial Report. The carrying broker shall report all principal positions of the introducing broker carried by it as a client account on its Form 1 or Monthly Financial Report.

35.4. Introducing Type 3 Arrangement

For an introducing broker/carrying broker arrangement to be considered an Introducing Type 3 Arrangement, the parties shall execute an agreement in the form prescribed and approved by the Corporation and the arrangement shall meet the following criteria:

(a) Minimum Capital Requirement

An introducing broker that is a party to an Introducing Type 3 Arrangement must maintain at all times minimum capital of \$250,000 for the purposes of calculating its risk adjusted capital.

(b) Margin Arising from Principal and Agency Business

The carrying broker shall calculate the margin for any principal and agency business that it carries on behalf of the introducing broker in accordance with the relevant margin requirements of the Corporation and the introducing broker shall maintain such required margin.

(c) Margin Offsets Permitted

The carrying broker shall be permitted to offset any margin required to be maintained as determined in subparagraph (b) against the loan value of any deposits made by the introducing broker with the carrying broker.

(d) Reporting of Client Balances

In calculating the risk adjusted capital required pursuant to Rule 17.1 and Form 1, the introducing broker shall, and the carrying broker shall not, report all accounts of the clients introduced to the carrying broker by the introducing broker on the introducing broker's Form 1 or Monthly Financial Report. Notwithstanding the foregoing, the carrying broker shall be required to report one balance owing to or from the introducing broker in relation to the accounts of clients which it carries on behalf of the introducing broker on its Form 1 or Monthly Financial Report. Such reporting of one balance shall not release, discharge, limit or otherwise affect the carrying broker's obligations and liabilities to each individual client whose account it carries on behalf of the introducing broker.

(e) Net Client Balances/Funding Deployment

In relation to the accounts of clients introduced to the carrying broker by the introducing broker, the carrying broker shall be responsible for meeting any financing requirements of such client accounts.

(f) Comfort Deposit

Any deposit provided to the carrying broker by the introducing broker pursuant to the terms of the agreement between them shall be segregated by the carrying broker and, in the case of a cash deposit, such deposit shall be held by the carrying broker in a separate bank account in trust for the introducing broker.

(g) Concentration Calculation

For the purposes of the concentration calculations required in Schedules 9 and 12 of the Form 1, the introducing broker shall include, and the carrying broker shall not include, all client

positions which the carrying broker maintains on behalf of the introducing broker in the introducing broker's calculation.

(h) Segregation of Client Securities

The carrying broker shall be responsible for segregating all securities which it holds for clients introduced to it by the introducing broker in accordance with the segregation requirements of the Rules.

(i) Free Credit Segregation

The carrying broker shall be responsible for complying with the free credit segregation requirements of the Rules in relation to accounts of clients introduced to it by the introducing broker.

(j) Insurance

- (i) The introducing broker shall maintain minimum insurance protection of \$500,000 for the purposes of Rule 400.4.
- (ii) The introducing broker and the carrying broker each shall be responsible for providing Financial Institution Bond Clause (A) coverage for fidelity insurance under Rule 400.2.
- (iii) The carrying broker and the introducing broker shall include all accounts introduced to the carrying broker by the introducing broker in each of their calculations of the asset measurement for minimum Financial Institution Bond coverage for Clauses (A) through (E) under Rule 400.2.
- (iv) Both the introducing and the carrying broker shall maintain adequate insurance for registered mail as required under Rule 400.1.

(k) Required Disclosure of the Opening of Client Accounts

At the time of opening each client account, the introducing broker shall advise the client of the introducing broker's relationship to the carrying broker and of the relationship between the client and the carrying broker.

(l) Contracts, Statements and Correspondence

At the option of the introducing broker and the carrying broker as they may agree, the name and role of each of the introducing broker and the carrying broker may be shown on all contracts, statements, correspondence and other documentation, otherwise the name of the introducing broker shall be shown. Notwithstanding the foregoing, all margin agreements and guarantee documentation shall be in the name of both the introducing broker and the carrying broker.

(m) Required Annual Disclosure

At least annually, the introducing broker shall provide written disclosure, in a form satisfactory to the Corporation, to each of its clients whose accounts are being carried by the carrying broker, outlining the relationship between the introducing broker and the carrying broker and the relationship between such client and the carrying broker. Notwithstanding the foregoing, if the name and role of each of the introducing broker and the carrying broker is shown on all

contracts, statements, correspondence and other documentation in accordance with subparagraph (1) above, the introducing broker need not provide annual disclosure as required by this subparagraph (m).

(n) Clients Introduced to the Carrying Broker

Each client introduced to the carrying broker by the introducing broker shall be considered to be a client of the carrying broker for the purposes of the Rules, Rulings and Forms.

(o) Responsibility for Compliance with all Non-Financial Exchange Requirements

Unless otherwise specified in this Rule 35.4, the introducing broker shall be responsible for the compliance with all non-financial requirements of the Rules, Rulings and Forms of the Corporation for each account introduced to the carrying broker by the introducing broker.

(p) Cash Transactions

The introducing broker may facilitate cash transactions on behalf of clients carried through the carrying broker through the use of an account in the name of either the carrying broker or the introducing broker.

(q) Reporting of Principal Positions

The introducing broker shall report all of its principal positions carried by the carrying broker as inventory on its Form 1 or Monthly Financial Report. The carrying broker shall report all principal positions of the introducing broker carried by it as a client account on its Form 1 or Monthly Financial Report.

35.5. Introducing Type 4 Arrangement

For an introducing broker/carrying broker arrangement to be considered an Introducing Type 4 Arrangement, the parties shall execute an agreement in the form prescribed and approved by the Corporation and the arrangement shall meet the following criteria:

(a) Minimum Capital Requirement

An introducing broker that is a party to an Introducing Type 4 Arrangement must maintain at all times minimum capital of \$250,000 for the purposes of calculating its risk adjusted capital.

(b) Margin Arising from Principal and Agency Business

The carrying broker shall calculate the margin for any principal and agency business that the carrying broker carries on behalf of the introducing broker in accordance with the relevant margin requirements of the Corporation and the introducing broker shall maintain the required margin.

(c) Margin Offsets Permitted

The carrying broker shall be permitted to offset any margin required to be maintained as determined in subparagraph (b) against the loan value of any deposits made with the carrying broker.

(d) Reporting of Client Balances

In calculating the risk adjusted capital required pursuant to Rule 17.1 and Form 1, the introducing broker shall, and the carrying broker shall not, report all accounts of the clients introduced to the carrying broker by the introducing broker on the introducing Broker's Form 1 or Monthly Financial Report. Notwithstanding the foregoing, the carrying broker shall be required to report one balance owing to or from the introducing broker in relation to the accounts of clients which it carries on behalf of the introducing broker on its Form 1 or Monthly Financial Report. Such reporting of one balance shall not release, discharge, limit or otherwise affect the carrying broker's obligations and liabilities to each individual client whose account it carries on behalf of the introducing broker.

(e) Net Client Balances/Funding Deployment

In relation to the accounts of clients introduced to the carrying broker by the introducing broker, the introducing broker shall be responsible for meeting any financing requirements of such client accounts.

(f) Deposit

Any deposit provided to the carrying broker by the introducing broker pursuant to the terms of the agreement between them shall be segregated by the carrying broker and, in the case of a cash deposit, such deposit shall be held by the carrying broker in a separate bank account in trust for the introducing broker.

(g) Concentration Calculation

For the purposes of the concentration calculations required in Schedules 9 and 12 of Form 1, the introducing broker shall include, and the carrying broker shall not include, all client positions which the carrying broker maintains on behalf of the introducing broker in the introducing broker's calculation.

(h) Segregation of Client Securities

The carrying broker shall be responsible for segregating all securities which it holds for clients introduced to it by the introducing broker in accordance with the segregation requirements of the Rules.

(i) Free Credit Segregation

The introducing broker shall be responsible for complying with the free credit segregation requirements of the Rules in relation to accounts of clients introduced to the carrying broker by the introducing broker.

(j) Insurance

- (i) The introducing broker shall maintain minimum insurance protection of \$500,000 for the purposes of Rule 400.4.
- (ii) The introducing broker and the carrying broker each shall be responsible for providing Financial Institution Bond Clause (A) coverage for fidelity insurance under Rule 400.2.
- (iii) The carrying broker and the introducing broker shall include all accounts introduced to the carrying broker by the introducing broker in each of their calculations of the asset

measurement for minimum Financial Institution Bond coverage for Clauses (a) through (E) under Rule 400.2.

- (iv) Both the introducing and the carrying broker shall maintain adequate insurance for registered mail as required under Rule 400.1.

(k) Required Disclosure of the Opening of Client Accounts

At the time of opening each client account, the introducing broker shall advise the client of the introducing broker's relationship to the carrying broker and of the relationship between the client and the carrying broker.

(l) Contracts, Statements and Correspondence

At the option of the introducing broker and the carrying broker as they may agree, the name and role of each of the introducing broker and the carrying broker may be shown on all contracts, statements, correspondence and other documentation, otherwise the name of the introducing broker shall be shown. Notwithstanding the foregoing, if any guarantee or margin agreement is solely between the client and the introducing broker, the agreement between the introducing broker and the carrying broker shall provide that the carrying broker may act to protect its interest in those securities for which it has not been paid by the introducing broker at the time that the introducing broker becomes insolvent, bankrupt or ceases to be a member of a self-regulatory organization that is a participating institution in the Canadian Investment Protection Fund.

(m) Required Annual Disclosure

At least annually, the introducing broker shall provide written disclosure, in the form satisfactory to the Corporation, to each of its clients whose accounts are being carried by the carrying broker, outlining the relationship between the introducing broker and the carrying broker and the relationship between such client and the carrying broker. Notwithstanding the foregoing, if the name and role of each of the introducing broker and the carrying broker is shown on all contracts, statements, correspondence and other documentation in accordance with subparagraph (1) above, the introducing broker need not provide annual disclosure as required by this subparagraph (m).

(n) Clients Introduced to the Carrying Broker

Each client introduced to the carrying broker by the introducing broker shall be considered to be a client of the carrying broker for the purposes of the Rules, Rulings and Forms.

(o) Responsibility for Compliance with all Non-Financial Exchange Requirements

Unless otherwise specified in this Rule 35.5, the introducing broker shall be responsible for the compliance with all non-financial requirements of the Rules, Rulings and Forms of the Corporation for each account introduced to the carrying broker by the introducing broker.

(p) Cash Transactions

The introducing broker may facilitate cash transactions on behalf of clients carried through the carrying broker through the use of an account in the name of either the carrying broker or the introducing broker.

(q) Reporting of Principal Positions

The introducing broker shall report all principal positions carried by the carrying broker for the introducing broker as inventory on its Form 1 or Monthly Financial Report. The carrying broker shall report all principal positions of the introducing broker carried by it as a client account on its Form 1 or Monthly Financial Report.

35.6. Exemption for Arrangements Between a Dealer Member and a Foreign Affiliate

Notwithstanding the provisions of this Rule 35, on the application of a Dealer Member pursuant to Rule 20.25, the applicable District Council may exempt any arrangements between a Dealer Member and a Dealer Member's foreign affiliate pursuant to which the Dealer Member carries accounts of the foreign affiliate or its clients from the requirements of this Rule 35 (other than Rule 35.6) provided that the arrangements meet the following criteria:

(a) Exemption Applicable to Affiliates of the Member

The exemption in this Rule 35.6 shall apply only to arrangements between a Dealer Member and a foreign affiliate of the Dealer Member. The Dealer Member shall provide the Exchange with evidence satisfactory to the Exchange of such relationship and of the details of the arrangement between them.

(b) Disclosure of Relationship to Clients of Foreign Affiliate

The Dealer Member shall ensure that the foreign affiliate, at least annually, provides written disclosure, in a form satisfactory to the Corporation, to each of the foreign affiliate's clients whose accounts are being carried by the Dealer Member, outlining the relationship between the Dealer Member and the Dealer Member's foreign affiliate and the relationship between the Dealer Member and the client of the foreign affiliate, and outlining any limitations on coverage of such client accounts by the Canadian Investor Protection Fund.

(c) Approval by the Requisite Authority in the Foreign Affiliate's Jurisdiction

The exemption provided in this Rule 35.6 shall only be granted by the applicable District Council upon receipt by the Corporation of written approval from the regulatory authority in the foreign affiliate's jurisdiction acknowledging and approving the arrangement between the Dealer Member and the Dealer Member's foreign affiliate.

(d) Responsibility for Compliance with Corporation Requirements

Foreign affiliates of a Dealer Member that have an arrangement with the Dealer Member as set out in this Rule 35.6, are not required to comply with the requirements of the Rules, Rulings and Forms of the Corporation solely as a result of such an arrangement.

(e) Reporting of Balances

In calculating its risk adjusted capital required under Rule 17.1 and Form 1, the Dealer Member shall report one balance owing to or from its foreign affiliate in relation to the accounts of the clients which the Dealer Member is carrying on behalf of its foreign affiliate on its Form 1 or Monthly Financial Report.

(f) Segregation of Securities

The Dealer Member shall be responsible for segregating all securities which it holds for clients of its foreign affiliate in accordance with the segregation requirements of the Rules.

(g) Insurance

The Dealer Member shall include all accounts introduced to it by its foreign affiliate in its calculation of the asset measurement for minimum Financial Institution Bond coverage for Clauses (A) through (E) under Rule 400.2.

**RULE 38
COMPLIANCE AND SUPERVISION**

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- 38.3
 - (a) No person may act and no Dealer Member may permit a person to act as a Supervisor without the approval of the Corporation.
 - (b) Failure to satisfy sub-clause A.1(a)(ii)D of Part I of Rule 2900 will result in the automatic suspension of approval. Approval will be reinstated only at such time as the individual has satisfied the applicable proficiency requirement and notified the Corporation.

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- 38.5 Ultimate Designated Person
 - (a) A Dealer Member must designate an individual who is approved under the Corporation's rules in the category of Ultimate Designated Person and who shall be responsible to the Corporation for the conduct of the firm and the supervision of its employees and to perform the functions described in paragraph (c).
 - (b) A Dealer Member must not designate an individual to act as the firm's Ultimate Designated Person unless the individual is:
 - (i) the chief executive officer or sole proprietor of the Dealer Member;
 - (ii) an Officer in charge of a division of the Dealer Member, if the activity that requires the firm to register under provincial or territorial securities laws occurs only within the division, or
 - (iii) an individual acting in a capacity similar to that of an Officer described in paragraph (a) or (b).
 - (c) The Ultimate Designated Person must

- (i) supervise the activities of the Dealer Member that are directed towards ensuring compliance with the Corporation's Dealer Member rules and applicable securities law requirements by the firm and each individual acting on the Dealer Member's behalf, and
- (ii) promote compliance by the Dealer Member, and individuals acting on its behalf, with the Corporation's Dealer Member rules and applicable securities laws.

38.6 Chief Financial Officer

- (a) Each Dealer Member must, subject to the approval of the Corporation, appoint one Executive as Chief Financial Officer who, in addition to the requirements under Rule 7.4(a), must have met the proficiency requirements of Rule 2900, Part I, section A.2A. The Chief Financial Officer need not be engaged full time in the business of the Dealer Member.
- (b) Notwithstanding subsection (a), if the Chief Financial Officer of a Dealer Member terminates his/her employment with the Dealer Member and the Dealer Member is unable to immediately appoint another qualified person as Chief Financial Officer, the Dealer Member may, with the Corporation's approval, appoint an Executive as Acting Chief Financial Officer, provided that within 90 days of the termination:
 - (1) the Acting Chief Financial Officer meets the requirement of subsection (a) and is approved by the Corporation as Chief Financial Officer; or
 - (2) another qualified person is appointed Chief Financial Officer by the Dealer Member and approved by the Corporation.
- (c) The Chief Financial Officer must monitor adherence to the Dealer Member's policies and procedures as necessary to provide reasonable assurance that the Dealer Member complies with the financial rules of the Corporation.

38.7 Chief Compliance Officer

- (a) Every Dealer Member must designate an individual who is approved under the Corporation's rules in the category of Chief Compliance Officer to perform the functions described in paragraph (h).
- (b) A Dealer Member must not designate an individual to act as the firm's Chief Compliance Officer unless the individual is one of the:
 - (i) an Officer or partner of the Dealer Member;
 - (ii) the sole proprietor of the Dealer Member.
- (c) A Dealer Member may appoint the Ultimate Designated Person to act as the Chief Compliance Officer.
- (d) Where a Dealer Member is organized into two or more separate business units or divisions, a Dealer Member may, with the approval of the Corporation, designate a Chief Compliance Officer for each separate business unit or division.
- (e) The Chief Compliance Officer must have the qualifications required under Rule 2900, Part I, section A.2B.
- (f) Notwithstanding subsection (a), a Dealer Member may, with the Corporation's approval, designate an Officer as Acting Chief Compliance Officer if the Chief Compliance Officer

terminates his or her employment with the Dealer Member and the Dealer Member is unable to immediately designate another qualified person as Chief Compliance Officer provided that, within 90 days of the termination of the previous Chief Compliance Officer:

- (i) the Acting Chief Compliance Officer meets the requirement of subsection (e) and is designated by the Corporation as Chief Compliance Officer; or
 - (ii) another qualified person is designated Chief Compliance Officer by the Dealer Member and is approved by the Corporation.
- (g) The Corporation may grant to a Dealer Member an exemption from subsection (e) where it is satisfied that the nature of the Dealer Member's business is such that the qualification is not relevant to the Dealer Member and that to do so would not be prejudicial to the interests of the Dealer Member, its clients, the public or the Corporation. In granting such an exemption, it may impose such terms and conditions as it considers necessary.
- (h) The Chief Compliance Officer of a Dealer Member must do all of the following:
- (i) establish and maintain policies and procedures for assessing compliance with the Rules and applicable securities laws by the Dealer Member and individuals acting on its behalf;
 - (ii) monitor and assess compliance by the Dealer Member, and individuals acting on its behalf, with the Rules and applicable securities laws;
 - (iii) report to the Ultimate Designated Person as soon as possible if the Chief Compliance Officer becomes aware of any circumstances indicating that the firm, or any individual acting on its behalf, may be in non-compliance with the Rules or applicable securities laws and
 - (A) the non-compliance creates a reasonable risk of harm to a client;
 - (B) the non-compliance creates a reasonable risk of harm to the capital markets; or
 - (C) the non-compliance is part of a pattern of non-compliance;
 - (iv) submit an annual report to the firm's board of directors, or individuals acting in a similar capacity for the firm, for the purposes of assessing compliance by the firm, and individuals acting on its behalf, with the Corporation's Dealer Member rules and applicable securities laws.
- (i) The Chief Compliance Officer must have access to the Ultimate Designated Person and the board of directors (or equivalent) at such times as the Chief Compliance Officer may consider necessary or advisable in view of his or her responsibilities.
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**RULE 39
PRINCIPAL AND AGENT**

- 39.1. All Rules and Forms of the Corporation that refer to the term employee shall be deemed to refer as well to the term agent and all references to the term employment shall be deemed to refer as well to the term agency relationship, where applicable.
- 39.2. For the purposes of this Rule “securities related business” means any business or activity (whether or not carried on for gain) engaged in, directly or indirectly, which constitutes trading or advising in securities or exchange contracts (including commodity futures contracts and commodity futures options) for the purposes of applicable securities legislation and exchange contracts legislation in any jurisdiction in Canada, including for greater certainty, sales pursuant to exemptions under that legislation.
- 39.3. The relationship between the Dealer Member and any person conducting securities related business on behalf of the Dealer Member may be that of:
- a) an employee, or
 - b) an agent who is not an employee,
- but may not be that of an incorporated salesperson.
- 39.4. Where a Dealer Member structures its business relationship with a person conducting securities related business on behalf of the Dealer Member using the principal / agent relationship contemplated in paragraph 39.3(b), the Dealer Member shall ensure that:
- a) the business relationship is not contrary to the provisions of applicable legislation;
 - b) such agent is registered or licensed in the manner necessary, and is in good standing, under the applicable legislation in the province or territory where the agent proposes to act;
 - c) the Dealer Member shall be responsible for, and shall supervise the conduct of the agent in respect of the business including compliance with applicable legislation and the Rules of the Corporation, including the by-laws, rulings, policies, rules, regulations, orders and directions of any self-regulatory organization or similar authority to which the Dealer Member is subject;
 - d) the Dealer Member shall be liable to clients (and other third parties) for the acts and omissions of the agent relating to the Dealer Member’s business as if the agent were an employee of the Dealer Member;
 - e) the agent is in compliance with applicable legislation and the Rules of the Corporation, including the by-laws, rulings, policies, rules, regulations, orders and directions of any self-regulatory organization or similar authority to which the Dealer Member is subject;
 - f) the financial institution bond and insurance policies required to be maintained by the Dealer Member pursuant to Rule 17 and Rule 400 cover and relate to the conduct of the agent;
 - g) all books and records prepared and maintained by the agent in respect of the business of the Dealer Member shall be in accordance with Rule 17 and Rule 200 and all applicable legislation and shall be the property of the Dealer Member and shall be available for review by and

delivery to the Dealer Member at all times and upon termination of the agreement referred to in paragraph (n);

- h) the Dealer Member shall, at all times, have access to the premises of the agent where the agent conducts securities related business on behalf of the Dealer Member ;
- i) in the event of a compliance issue arising in respect of a client or clients, the Dealer Member shall be entitled to take control of all future dealings with the client or clients;
- j) all securities related business conducted by the agent is in the name of the Dealer Member subject to Rule 29.7A;
- k) the agent shall not conduct securities related business with or on behalf of any person other than the Dealer Member;
- l) if the agent is engaged in or carrying on any business activity other than business conducted on behalf of the Dealer Member, including any business or activity which is subject to regulation by any regulatory authority other than a securities commission, compliance with the terms of the agreement referred to in paragraph (n) shall be monitored and enforced directly by the Dealer Member and not by or through any other person including another employer or principal of the agent;
- m) the terms or basis on which the agent may be engaged in or carry on any business or activity other than the business conducted on behalf of the Dealer Member shall not prevent or impair the ability of the Dealer Member or the Corporation from monitoring and enforcing compliance by the agent with the terms of the agreement referred to in paragraph (n) or the Rules of the Corporation; and
- n) the Dealer Member and the agent shall enter into an agreement in writing which shall be provided to the Corporation prior to engaging in the principal/agent relationship and shall contain terms which include the provisions of paragraph (a) to (m), inclusive, and which do not include provisions which are inconsistent with paragraph (a) to (m), and shall provide the Corporation with a certificate by an officer or director of such Dealer Member and upon request by the Corporation shall provide an opinion of counsel confirming the agreement is in compliance with such provisions;
- o) the Dealer Member and the Corporation shall enter into an agreement in writing prior to the Dealer Member engaging in the principal/agent relationship, which shall contain terms which include the provisions of paragraphs (c) and (d) that specifically relate to the Dealer Member's responsibility for and supervision of the agent to ensure the agent's compliance with applicable legislation and the Rules of the Corporation, including the by-laws, rulings, policies, rules, regulations, orders and directions of any self-regulatory organization or similar authority to which the Dealer Member is subject and relate to the Dealer Member's liability to clients (and other third parties) for the acts and omissions of the agent relating to the Dealer Member's business as if the agent were an employee of the Dealer Member;
- p) the agreements referred to in paragraphs (n) and (o) shall be in a form satisfactory to the Corporation;

- q) the Dealer Member and the agent shall be responsible for ensuring all arrangements between them comply with applicable tax laws and for providing satisfactory evidence to the Corporation of such compliance.

APPENDIX A
INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA
PROVISIONS FOR AGENCY AGREEMENTS
IN CONNECTION WITH RULE 39.4

1. Definitions

- (a) "Agent" means [•].
- (b) "Applicable Laws" means all laws, legislation and regulations of any governmental entity that are applicable to the Dealer Member and all by-laws, rulings, policies, rules, regulations, orders and directions of any self-regulatory organization or similar authority that are applicable to the Dealer Member, including, without limitation, the Rules.
- (c) "Client" means a person who has engaged the services of the Dealer Member through the Agent.
- (d) "Corporation" means Investment Industry Regulatory Organization of Canada.
- (e) "Rules" means the Rules of the Corporation as each may be amended, supplemented, restated or replaced from time to time.
- (f) "Dealer Member" means [•], together with its successors and permitted assigns.
- (g) "Dealer Member Business" means any business activity of the Agent conducted on behalf of the Dealer Member.
- (h) "Non-Dealer Member Business" means any business activity of the Agent that is not Dealer Member Business.
- (i) "Records" means books, records, client files, client information and all other documentation of the Agent relating in any way to Dealer Member Business, whether in written or electronic form.
- (j) "Securities Related Business" has the meaning specified in Rule 39.2.

2. Confirmation of Supremacy of Rule 39.4

- (a) The Agent and the Dealer Member acknowledge and confirm that this Agreement is intended to be made and be effective in compliance with the Rules, including without limitation Rule 39.4. In the event of any inconsistency between the terms of this Agreement and the terms of Rule 39.4, the terms of Rule 39.4 shall prevail. Any such inconsistent terms of this Agreement shall be deemed to be severable and deleted with the intent that this Agreement shall be construed, complied with by the Agent and the Dealer Member and enforced in a manner that gives full effect to the terms of Rule 39.4.

3. Compliance by the Agent with Applicable Laws

- (a) The Agent represents and warrants to the Dealer Member that (i) it is registered or licensed in the manner necessary under all Applicable Laws; (ii) it is in good standing under all Applicable Laws; and (iii) it is in compliance with all Applicable Laws.
- (b) The Agent shall (i) maintain any registrations or licenses in the manner necessary under all Applicable Laws; (ii) remain in good standing under all Applicable Laws; and (iii) comply with all Applicable Laws.

4. Conduct of the Agent's Business

- (a) Subject to Rule 29.7A, the Agent shall conduct all Dealer Member Business in the name of the Dealer Member.
- (b) The Agent shall not conduct any Securities Related Business with, in respect of or on behalf of any person other than the Dealer Member. The Agent shall not conduct any Non-Dealer Member Business except as disclosed in writing to the Dealer Member and as consented to in writing by the Dealer Member.

5. Supervision of the Agent by the Member

- (a) The Dealer Member shall be responsible for the conduct of the Agent, and shall supervise the conduct of the Agent in respect of Dealer Member Business, including, without limitation, compliance by the Agent with all Applicable Laws and with the terms of this Agreement.
- (b) If the Agent is engaged in or carrying on Non-Dealer Member Business, the Dealer Member shall monitor and enforce compliance with the terms of this Agreement directly, and not by or through any other person.
- (c) The Agent shall ensure that the terms or basis on which it is engaged in or carries on Non-Dealer Member Business comply with the terms of this Agreement and the Rules and do not prevent or impair the ability of the Dealer Member or the Corporation from monitoring and enforcing compliance by the Agent with the terms of this Agreement and the Rules.
- (d) Where the Dealer Member and Agent agree that the Agent shall make written disclosure to Clients advising Clients of the business activity included in or excluded from the Securities Related Business that the Dealer Member conducts and that any other business activity conducted by the Agent is not the responsibility of the Dealer Member but the responsibility of the Agent alone, the Dealer Member shall be responsible for ensuring that the Agent provides the disclosure directly to Clients.
- (e) The Dealer Member shall be liable to clients (and other third parties) for the acts and omissions of the Agent relating to Dealer Member Business as if the Agent were an employee of the Dealer Member, subject to any defence available to the Dealer Member under Applicable Laws.
- (f) In the event that:
 - (i) the Corporation, a securities commission or any other regulatory authority having jurisdiction has advised the Dealer Member to the effect that, or has commenced an investigation or any proceeding on the basis that, or

- (ii) the Dealer Member has reasonable grounds to believe that, the conduct by the Agent of any business in respect of any Client or Clients is not in compliance with any Applicable Laws, the Dealer Member may immediately and without notice to the Agent assume responsibility for and control of all or any dealings and communications with such Client or Clients, and the Agent shall not engage in any such dealings or communications with the Client or Clients for as long as and to the extent that the Dealer Member has assumed such responsibility. During the period that the Dealer Member has assumed responsibility for the Client or Clients in the manner above, the Dealer Member may designate another employee or agent of the Dealer Member who is qualified to provide such services to the Client or Clients as may be necessary or desirable in connection with its Dealer Member Business, and all or any portion of the remuneration otherwise payable to the Agent in respect of such services or business may be directed or paid to such other employee or agent.

6. Records and Insurance

- (a) The Agent shall prepare all Records in accordance with Rule 17, Rule 200 and all other Applicable Laws.
- (b) The Agent's Records are the property of the Dealer Member. Upon the request of the Dealer Member for any reason, including, without limitation, the termination of this Agreement, the Agent shall forthwith deliver the Records to the Dealer Member.
- (c) The Dealer Member shall maintain, in accordance with Rule 17 and Rule 400, financial institution bond and insurance policies that cover and relate to the conduct of the Agent.

7. Access by the Member

- (a) The Agent shall make the Records available for review by the Dealer Member at the premises where the Agent conducts securities related business on behalf of the Dealer Member and at any other place the Records are located. The Dealer Member has the right to inspect the Records at any time, immediately upon demand by the Dealer Member.
- (b) The Dealer Member has the right to access any place of business of the Agent at any and all times. The Dealer Member may exercise such right to access at any time, immediately upon demand by the Dealer Member.

APPENDIX B**MEMBER AGREEMENT REGARDING AGENTS**

TO: INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA (THE "CORPORATION")

RECITALS:

- A. The Dealer Member is a member of the Corporation and has agreed to be bound by its By-laws and Rules ("Rules").

- B. Rule 39.4(o) of the Corporation requires the Dealer Member to enter into this Agreement, which is in addition to, and does not replace or modify, the Rules or any agreement between the Corporation and the Dealer Member.

For valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Dealer Member agrees that:

1. The Dealer Member shall ensure that each of its agents (as defined in Rule 39.3(b)) complies with all laws, legislation and regulations of any governmental entity that are applicable to such agent and all by-laws, rulings, policies, rules, regulations, orders and directions of any self-regulatory organization or similar authority that are applicable to such agent (collectively, "Applicable Laws"), as if such agent is an employee of the Dealer Member.
2. The Dealer Member shall enter into an agreement with each agent of the Dealer Member, in accordance with Rule 39.4(n) of the Corporation, pursuant to which the agent agrees to comply with all Applicable Laws.
3. The Dealer Member shall administer and comply with all Rules as if each agent of the Dealer Member is an employee of the Dealer Member and, without limitation, shall be responsible for and shall supervise the conduct of each agent in respect of its business, including compliance with Applicable Laws as if such agent is an employee of the Dealer Member.
4. The Dealer Member or the agent of the Dealer Member shall make written disclosure to the client advising the client of the business activity included in or excluded from the securities related business (as defined in Rule 39) that the Dealer Member conducts and that any other business activity conducted by the agent is not the responsibility of the Dealer Member but is the responsibility of the agent alone. The disclosure to new clients shall be provided at the time an account is opened for a client. The disclosure to existing clients shall be provided simultaneously with the language set out in Paragraph 7 within 6 months of the effective date of Rule 39.
5. Where the written disclosure described in Paragraph 4 is made by the agent, the Dealer Member shall ensure that the agent provides the disclosure directly to the client.
6. At the time an account is opened for a client, the Dealer Member shall include the following language in the New Client Application Form:

Your investment adviser may be an employee or an agent of [Dealer Member firm]. In either case, [Dealer Member firm] will be irrevocably liable to you, and will continue to be liable to you for the acts and omissions of your investment adviser relating to [Dealer Member firm's] business as if the investment adviser were an employee of [Dealer Member firm]. By continuing to deal with our firm you accept our offer of indemnity.
7. For existing client accounts that were opened with the Dealer Member on or before the effective date of Rule 39, the Dealer Member shall deliver to clients a document that includes the language as set out in Paragraph 6.
8. This Agreement shall be governed by the laws of the [applicable province or territory] and the laws of Canada applicable in the [applicable province or territory].

9. This Agreement shall enure to the benefit of, and shall be binding upon, the parties hereto and their successors and permitted assigns, provided that the Dealer Member may not assign its rights and obligations hereunder without the prior written consent of the Corporation.

DATED as of the ____ day of _____, _____.

[MEMBER]

Name:

Title:

RULE 40
INDIVIDUAL APPROVALS, NOTIFICATIONS AND FEES AND THE NATIONAL REGISTRATION
DATABASE

40.2 **Obligations of Dealer Members regarding the National Registration Database**

- (1) Each Dealer Member shall
- (a) enrol in NRD and pay to the NRD Administrator an enrolment fee calculated as prescribed by the Board;
 - (b) have one and no more than one chief AFR enrolled with the NRD Administrator;
 - (c) maintain one and no more than one NRD account;
 - (d) notify the NRD Administrator of the appointment of a chief AFR within 7 days of the appointment;
 - (e) notify the NRD Administrator of any change in the name of the firm's chief AFR within 7 days of the change;
 - (f) submit any change in the name of an AFR, other than the firm's chief AFR, in NRD format within 7 days of the change; and
 - (g) submit any change in the phone number, fax number or e-mail address of the chief AFR in NRD format within 7 days of the change.

40.3 **Approvals and Notifications**

- (1) Each Dealer Member making an application for approval of an individual in any capacity required under any Rule of the Corporation or an application for reinstatement of approval shall make such application to the Corporation through the NRD on Form 33-109F4 or Form 33-109F7 as applicable.
- (2) Each Dealer Member making an application under subsection (1) shall be liable for and pay such fees as are prescribed from time to time by the Board, including but not limited to

application fees payable to the NRD Administrator for use of the NRD for the making of such an application.

- (3) Any fees payable to the Corporation or to the NRD Administrator pursuant to subsection (3) above shall be submitted by electronic pre-authorized debit through NRD.

40.4 Change of Approval Category or Type of Business

- (1) Each Dealer Member making an application for approval of any Approved Person in a different or additional capacity requiring approval under any Rule of the Corporation or to surrender an existing approval shall make such application to the Corporation through the NRD on Form 33-109F2.
- (2) Each Dealer Member making an application under subsection (1) shall be liable for and pay such change of status fees as are prescribed from time to time by the Board, including but not limited to application fees payable to the NRD Administrator for use of the NRD for the making of such an application.
- (3) Any fees payable to the Corporation or the NRD Administrator pursuant to subsection (2) above shall be submitted by electronic pre-authorized debit through NRD.
- (4) Each Dealer Member must notify the Corporation through NRD on Form 33-109F2 when an Approved Person changes the type of business in which he or she engages or customer type as described in Rule 18.2(b).
- (5) Prior to providing notice of a change in the type of business in which an Approved Person will engage, a Dealer Member must ensure that it has notified the Corporation through NRD of the successful completion of the proficiency requirements under Rule 2900 necessary to undertake the type of business or that the Approved Person has been granted an exemption from the proficiency requirements under Rule 2900 and Rule 20.

40.5 Report of Changes pursuant to Rule 3100

- (1) Each Dealer Member making a report of a change regarding an Approved Person required pursuant to section I.B.1(a) of Rule 3100 of the Corporation shall make the report through the NRD on Form 33-109F5 in the time required pursuant to NRD National Instrument 33-109.

40.6 Exemption request

- (1) Each Dealer Member making an application for an exemption of an Approved Person or applicant for approval from a proficiency requirement pursuant to the Corporation's Rule 2900 that is submitted with an application for approval made through the NRD shall make such application to the Corporation through the NRD.
- (2) Each Dealer Member making an application under subsection (1) above shall be liable for and pay to the Corporation an exemption request fee as prescribed from time to time by the Board.
- (3) Any fees payable to the Corporation and to the NRD Administrator pursuant to subsection (2) above shall be submitted by electronic pre-authorized debit through NRD.

40.7 Termination of Approved Persons

- (1) Each Dealer Member shall notify the Corporation of the termination of the Dealer Member's employment of or principal/agent relationship with any individual approved in any capacity under any Rule of the Corporation through the NRD on Form 33-109F1 within the time period and in the manner prescribed in NRD National Instrument 33-109 for a registered firm, as defined in NRD National Instrument 33-109, to notify the regulator of the same type of event.
- (2) If an Approved Person ceases to have an employment, partnership or agency relationship with a Dealer Member, the individual's approval with the Dealer Member is suspended until reinstated by the Corporation or under the Rules of the Corporation.
- (3) Despite 40.3(1), the approval of an individual suspended under paragraph (2) is reinstated on the date the individual submits a completed Form 33-109F7 in accordance with NRD National Instrument 31-102 if:
 - (a) the Form 33-109F7 is submitted on or before the 90th day after the cessation date;
 - (b) after the cessation date there have been no changes to the information previously submitted in respect of any of the following items of the individual's Form 33-109F4:
 - (A) item 13 [*Regulatory disclosure*];
 - (B) item 14 [*Criminal disclosure*];
 - (C) item 15 [*Civil disclosure*];
 - (D) item 16 [*Financial disclosure*];
 - (c) the individual's employment, partnership or agency relationship with the former sponsoring firm did not end because the individual was asked by the firm to resign, or was dismissed, following an allegation against the individual of any of the following:
 - (A) criminal activity,
 - (B) a breach of securities laws, or
 - (C) a breach of the rules of the Corporation;
 - (d) the individual is seeking reinstatement in the same category of approval in which the individual was approved on the cessation date.
- (4) Each Dealer Member shall be liable for and pay to the Corporation fees in the amounts prescribed from time to time by the Board for the failure of the Dealer Member to file a notification required under subsection (1) above within the time period referred to in subsection (1).
- (5) Any fees payable to the Corporation pursuant to subsection (4) above shall be submitted by electronic pre-authorized debit through NRD.

40.8 Notification of Opening or Closing of a Business Location

- (1) Each Dealer Member required to notify the Corporation of the opening or closing of a Business Location pursuant to Rule 4.6 must do so through the NRD on Form 33-109F3 within the time period prescribed in NRD National Instrument 33-109 for a registered firm, as defined in NRD National Instrument 33-109, to notify the regulator of the opening or closing, as applicable, of a business location.

- (2) Each Dealer Member must notify the Corporation through the NRD of any change in the address or supervision of any Business Location within the time period prescribed in NRD National Instrument 33-109 for a registered firm, as defined in NRD National Instrument 33-109, to notify the regulator of a change in a business location.

40.9 Annual NRD User Fee

- (1) Each Dealer Member shall be liable for and pay to the NRD Administrator an annual user fee as prescribed from time to time by the Board for each person approved in any capacity under any Rule of the Corporation and recorded as such on the NRD as of the date of calculation of such annual fee as prescribed by the Board.
- (2) Any fees payable to the NRD Administrator pursuant to subsection (1) above shall be submitted by electronic pre-authorized debit through NRD.

40.10 Repealed.

40.11 Temporary Hardship Exemption

- (1) If unanticipated technical difficulties prevent a Dealer Member from making a submission in NRD format within the time required under this Rule 40, the Dealer Member is exempt from the requirement to make the submission within the required time period, if the Dealer Member makes the submission in paper format or NRD format no later than 7 days after the day on which the information was required to be submitted.
- (2) If unanticipated technical difficulties prevent a Dealer Member from submitting an application in NRD format, the Dealer Member may submit the application other than through the NRD website.
- (3) If a Dealer Member makes a paper format submission under this section, the Dealer Member must include the following legend in capital letters at the top of the first page of the submission:

IN ACCORDANCE WITH CORPORATION RULE 40.11 AND SECTION 5.1 OF
NATIONAL INSTRUMENT 31-102 NATIONAL REGISTRATION DATABASE (NRD),
THIS [SPECIFY DOCUMENT] IS BEING SUBMITTED IN PAPER FORMAT UNDER A
TEMPORARY HARDSHIP EXEMPTION.

- (4) If a Dealer Member makes a submission other than through the NRD website under this section, the Dealer Member must resubmit the information in NRD format as soon as practicable and in any event within 14 days after the unanticipated technical difficulties have been resolved.

40.12 Due Diligence and Record Keeping

- (1) Each Dealer Member must make reasonable efforts to ensure that information submitted in any submission through the NRD is true and complete.
- (2) Each Dealer Member must retain all documents used by the Dealer Member to satisfy its obligation under subsection (1) for a period of no less than 7 years after the individual ceases to be an Approved Person of the Dealer Member.

- (3) A Dealer Member that retains a document under subsection (2) in respect of an NRD submission must record the NRD submission number on the document.
- (4) A Dealer Member must obtain from each individual who is approved to act on behalf of the firm a copy of the Form 33-109F1 most recently submitted by the individual's former sponsoring firm in respect of that individual, if any, within 60 days of the firm becoming the individual's sponsoring firm.

RULE 100
MARGIN REQUIREMENTS

Guarantees

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- 100.14. No Dealer Member shall provide, directly or indirectly, any guarantee, indemnity or similar form of financial assistance to any person unless the amount of the guarantee, indemnity or other assistance is limited to a fixed or determinable amount (except a guarantee provided in accordance with Rule 16.2(iv)) and margin is provided for by the Dealer Member pursuant to this Rule 100.14 or the amount is otherwise provided for in computing the risk adjusted capital of the Dealer Member. The margin required in respect of any such guarantee, indemnity or financial assistance shall be the amount thereof, less the loan value (calculated in accordance with the Rules) of any collateral available to the Dealer Member in respect of the guarantee, indemnity or assistance and, in the case of guarantees provided in accordance with Rule 16.2(iv), no margin shall be required.

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RULE 500
TRADERS

- 500.1. Application for approval as a Trader shall be made to the Corporation in such form as the Board of Directors may from time to time prescribe.
- 500.2. No person shall act as a Trader unless the person has satisfied the applicable proficiency requirements outlined in Part I of Rule 2900.

RULE 600
SUSPENDED MEMBERS

- 600.1. During the period of suspension, a suspended Dealer Member shall not be entitled to exercise the rights and privileges of Membership and without limiting the generality of the foregoing, the suspended Member:

- (a) Shall not be entitled to attend or vote at meetings of the Corporation or of any District of the Corporation;
- (b) Shall remove from its premises any reference to its Membership in the Corporation; and
- (c) Shall no longer use reference to its Membership in the Corporation in its advertisements, letterhead or other material, and the name of the suspended Dealer Member shall be carried in the Corporation's Membership Directory but shall be marked with an asterisk and footnote indicating that the Dealer Member has been suspended and the period of suspension;

Provided that during the period of suspension the suspended Dealer Member shall continue to be liable for the payment of Annual Fees and of any assessment and provided further that so long as the Dealer Member is not in arrears in the payment of its Annual Fee or other indebtedness to the Corporation, the suspended Dealer Member shall be entitled to remain in the Corporation's Group Insurance Plan or any other insurance or retirement plans in which the Dealer Member is enrolled at the time of suspension but if not already enrolled in such Group Insurance Plan or in any other insurance or retirement plans at the time of suspension no Dealer Member under suspension may enrol therein.

- 600.2. Within ten days after the imposition of a suspension or in the event of an appeal there from, within seven days after the confirmation of such suspension by the Board of Directors, the Dealer Member shall advise the Corporation in writing that it has complied with the requirements of clauses (b) and (c) of Rule 600.1.

RULE 700

USE OF NAME OR LOGO OF THE CORPORATION

- 700.1. Unless the Board of Directors in any particular case is of the opinion that the use of the name or the logo of the Corporation is detrimental to the interests of the Corporation or its Dealer Members, the name of the Corporation, or the logo of the Corporation together with the name as provided below, may be used by Dealer Members on letterheads, circulars advertising and other publicity matter, except in the case of circulars, advertising and publicity matter (not being signed letters), mailed, delivered, published, or otherwise used for the purpose of giving publicity to any specific new issue of securities, other than securities authorized for investment by trustees in any province. Dealer Members may also use the name of the Corporation, or the logo of the Corporation with the name as provided below, on their office doors and windows, provided that the name of the Corporation, when so used shall appear in smaller type than the name of the Dealer Member and the reference to the name of the Corporation and Membership therein shall be (in singular or plural form) in one or other of the following forms:

Member(s) of the Investment Industry Regulatory Organization of Canada
and/or

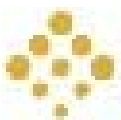
Membre(s) de l' Organisme canadien de réglementation du commerce des valeurs mobilières
or

Member(s) of the Investment Industry Regulatory Organization of Canada - Organisme canadien de réglementation du commerce des valeurs mobilières

or

Membre(s) de l' Organisme canadien de réglementation du commerce des valeurs mobilières -
Investment Industry Regulatory Organization of Canada

The logo of the Corporation in the form below may only be used together with the name of the Corporation in any of the formats above, provided that the size of the logo shall be such as to give reasonably equal prominence to each of the name and the logo.



Upon receiving a request from the Corporation, a Dealer Member shall provide to the Corporation, samples of any letterhead, circulars, or other promotional materials used by that Dealer Member bearing the Corporation's name or logo. Should a Dealer Member fail to comply with a request by the Corporation, should a Dealer Member be found by the Corporation not to be using the Corporation's name or logo as required by the Rules, or should a Dealer Member no longer be a member of the Corporation or be subject to any discipline by the Corporation, the Corporation may direct the Dealer Member to cease using the name or logo of the Corporation and the Dealer Member shall deliver up to the Corporation all materials bearing the Corporation's name and logo.

RULE 1300 SUPERVISION OF ACCOUNTS

1300.1.

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Corporation Approval

- (t) The Corporation, in its discretion, shall only grant such approval where the Corporation is satisfied that the Dealer Member will comply with the policies and procedures outlined in Rule 3200. The application for approval shall be accompanied by a copy of the policies and procedures of the Dealer Member. Following such approval, any material changes in the policies and procedures of the Dealer Member shall promptly be submitted to the Corporation.

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RULE 2400
RELATIONSHIPS BETWEEN DEALER MEMBERS AND FINANCIAL SERVICES ENTITIES:
SHARING OF OFFICE PREMISES

INTRODUCTION

This Rule establishes guidelines for Dealer Members to ensure that clients are informed of the products they are purchasing and that clients understand the relationship that a Dealer Member may have with a financial services entity in circumstances where a Dealer Member carries on business in the same location as that entity. For the purposes of this Rule 2400, a financial services entity would include an entity that is licensed or registered in another category pursuant to applicable securities legislation or subject to another Canadian regulatory regime. Financial services subject to another Canadian regulatory regime would include banking, mutual funds, insurance, deposit taking and mortgage brokerage activities.

Dealer Members should also refer to National Instrument 33-102 Regulation of Certain Registrant Activities, which came into force on August 1, 2001.

This Rule 2400 is applicable to retail clients only.

GENERAL PRINCIPLES

1. A Dealer Member may share premises with another financial services entity, whether or not the Dealer Member is related or affiliated with that entity.
2. A Dealer Member shall ensure that clients clearly understand with which legal entity they are dealing. The client may be informed through various methods, including appropriate signage and disclosure, as set out below. Dealer Members are reminded of Rule 29.7A, which deals with the use of trade names and legal names in connection with the conduct of Dealer Member business. This Rule shall be complied with regardless of the location of the Dealer Member or its branches.
3. The provisions of this Rule apply to the Dealer Member and its branches or sub-branch offices. Such sub-branch offices shall have no more than three registered representatives. The head office or a branch office of the Dealer Member firm shall be designated as having supervisory responsibility for the sub-branch.

DISCLOSURE OF SECURITIES RELATED ACTIVITIES

1. Where a Dealer Member opens an account for a client, the Dealer Member shall deliver a written disclosure statement outlining the relationship between the Dealer Member and the financial services entity and stating that the Dealer Member is a separate entity from the financial services entity. This disclosure is only required when the client is a client of a branch where there are shared premises.
2. At the time the account is opened, the Dealer Member shall obtain an acknowledgement from the client that specifically refers to the written disclosure statement required above and confirms that the client has read the written disclosure statement.
3. The acknowledgement may be obtained in a number of ways, including requesting the client's signature or initials at a designated place or that the client place a check in a check box. It is the responsibility of the Dealer Member to draw the client's attention to the disclosure.

4. For existing clients, the Dealer Member shall provide clients with a notice that contains the disclosure required in section 1 above.

CONFIDENTIALITY OF CLIENT INFORMATION

General

Where a client consents to the disclosure of confidential information, the information may be shared as set out in the consent disclosure document, described in section 2 below.

Consent for New Clients

1. This part does not apply to a Dealer Member subject to securities legislation in Quebec with respect to its dealings with clients in Quebec. In such circumstances, Dealer Members are advised to comply with *An Act Respecting the Protection of Personal Information in the Private Sector*, regarding the protection of personal information of their clients.
2. A Dealer Member shall hold all information about a client confidential and shall not disclose the information to representatives, employees or agents of another financial services entity located in the same premises, except as expressly permitted or required by law or the Rules, unless before disclosing the information
 - (a) the Dealer Member provides at least the following information to the client to whom the information pertains:
 - (i) the name of the financial services entity to which the information will be disclosed,
 - (ii) the nature of the relationship between the Dealer Member and the financial services entity,
 - (iii) the nature of the information that will be disclosed,
 - (iv) the intended use of the information by the financial services entity, including whether that entity will disclose the information to others,
 - (v) a statement that the client has the right to revoke the consent referred to in paragraph (b), and
 - (vi) a statement that the client's consent under paragraph (b) is not required as a condition of the Dealer Member dealing with the client, except in circumstances described in section 3; and
 - (b) the client provides specific and informed consent to the specific disclosure of the client information.
3. No Dealer Member shall require a client to consent to the Dealer Member disclosing confidential information regarding the client as a condition, or on terms that would appear to a reasonable person to be a condition, of supplying a product or service, unless the disclosure of the information is reasonably necessary to provide the specific product or service that the client has requested.
4. Client consent may be obtained in a number of ways, including requesting the client's signature or initials at a designated place or that the client place a check in a check box. No Dealer Member shall

use a “negative option” to obtain consent. A “negative option” would, for example, occur where a client who did not check a check-off box or initial an initial box would nonetheless be deemed to have consented.

5. Despite section 2, a Dealer Member does not need to obtain client consent to disclose confidential retail client information
 - (a) for audit, statistical or record-keeping purposes;
 - (b) to a law enforcement agency, securities regulatory authority or self-regulatory organization;
 - (c) for the collection of a debt owed by the client; or
 - (d) to a lawyer for the purposes of obtaining legal advice.
6. Dually Employed Representatives – Where registrants are dually employed such individuals shall not disclose any confidential client information to any person other than the staff of the entity with which the client is dealing or for the purpose of performing the relevant services for that client, unless the client’s consent has been obtained.

Consent for Existing Clients

1. An existing client of a Dealer Member is considered to have provided consent, as required above, if the client:
 - (a) has provided consent, either positively or negatively, to the Dealer Member to disclose the confidential client information prior to the implementation of this Rule; and
 - (b) is provided with a notice that contains
 - (i) the disclosure required in section 2 above, and
 - (ii) a statement of the right of the client to withdraw his or her consent.

MINIMUM STANDARDS FOR SHARED PREMISES

1. Introduction – The following minimum standards are intended as guidelines for Dealer Members. The Corporation acknowledges that such standards may not be practicable in certain business arrangements, such as where there are numerous dually employed representatives or the Dealer Member engages in discount brokerage operations. The guiding objective behind the standards is to ensure clients are not confused as to which entity they are dealing. Based on the organization of business arrangements, Dealer Members may need to develop policies and procedures that differ from this Rule yet still achieve the underlying objective.
2. Telephone Operations – Clients should have a clear understanding of with which entity they are dealing when they call the Dealer Member or financial services entity. A shared receptionist is permitted. Separate directory listings for each entity are recommended.
3. Client Records – Dealer Members are required to keep client records separate from the records of the financial services entity. The financial services entity shall not have access to the client records of a Dealer Member unless the provisions relating to confidentiality above are complied with. Hard copies of client files shall not be accessible to representatives, employees or agents of the financial services entity. Electronic records must have separate passwords or other similar controls to ensure they are

not accessible by the financial services entity. Separate computer hardware and software is recommended.

4. Signage – The legal names under which the Dealer Member and financial services entity operate must be clearly displayed in a prominent location such as the office entrance door or reception area. A business, trade or style name under which all the entities operate may also be displayed. The names of each individual representative of the entities need not be displayed.
5. Physical Premises – The layout of the shared location must ensure confidentiality of client information. The following guidelines apply:
 - (a) Separate entrances are not necessary;
 - (b) Where necessary to minimize client confusion and ensure confidentiality of records and privacy, and if permitted by resources and infrastructure, it may be advisable for representatives, employees or agents of the Dealer Member and the financial services entity to be situated in separate areas; and
 - (c) Client files, account process areas, etc. must be effectively controlled and physically secured.
6. CIPF Logo and Brochures – The CIPF logo and brochures must be displayed in a manner that makes it clear that they are applicable only to the Dealer Member and not to the other financial services entity.
7. Supervision
 - (a) Branch Managers
 - (i) Dual Employment - In some jurisdictions it is permissible that a trading officer be dually employed with an affiliated Dealer Member and non-Dealer Member, provided that the requirements of Rule 7.7 are satisfied. Such dually employed trading officers may be designated as a branch manager for both the Dealer Member and financial services entity. In other jurisdictions, securities legislation requires that different branch managers conduct supervision. In either situation, the branch manager may be on-site or off-site, as required by the circumstances.
 - (ii) Supervision – Branch managers are required to devote sufficient time to the supervision of the branch. In addition, Rule 2500 details specific supervisory requirements that branch managers must undertake. Rule 1300 details what is required for the supervision of accounts. Rule 29.27 in part requires periodic onsite reviews of branch office supervision to ensure that supervision is adequate. In addition, due to the sharing of office premises, branch managers have additional responsibilities with respect to the confidentiality of client records, the separation of files and operations, the issue of dually employed registrants, registrants not acting outside the limitations of their registration, etc.
 - (b) Adequate resources and appropriate systems – The Dealer Member must have written procedures and systems in place for the supervision of shared office premises reasonably designed to ensure that representatives adhere to the provisions contained in this Rule in order that clients are not confused as to with which entity they are dealing. The Dealer Member must have sufficient supervisory resources allocated at head office and at the shared office premises to effectively implement supervisory procedures required under this Rule. The Dealer Member

must have a program for communicating the provisions in this Rule to the representatives at the shared office premises and ensuring that the provisions are understood and implemented.

- (c) Administration Officer – An administration officer responsible for general office oversight may be shared between the Dealer Member and financial services entity. The administration officer is not required to be a registered person. Branch managers, however, are still required in order to supervise business practices and monitor compliance with Corporation and securities regulatory requirements.

8. Business Cards

- (a) Where registrants are dually licensed as an investment adviser and life insurance representative, insurance legislation differs in the provinces regarding the use of separate or double-sided business cards. It is the responsibility of the Dealer Member to ensure compliance with applicable securities and insurance legislation.
- (b) Where registrants are dually employed by a Dealer Member and a financial services entity, it is recommended that the registrant have double-sided business cards.

9. Permissible Non-Registrant Activities

- (a) Non-registered personnel employed by the Dealer Member or representatives of the financial services entity may not conduct certain activities. These individuals may not:
 - (i) open client accounts at the Member,
 - (ii) distribute or receive order forms for securities transactions to be conducted through the Member,
 - (iii) assist clients in completing order forms for securities transactions to be conducted through the Member,
 - (iv) provide recommendations or any advice on any activity in or for the account of the Dealer Member,
 - (v) complete know-your-client information on a New Client Application Form other than the biographical information, and
 - (vi) solicit securities transactions to be conducted through the Dealer Member.
- (b) However, these individuals are permitted to:
 - (i) advertise the services and products of the Member,
 - (ii) deliver or receive securities to or from clients,
 - (iii) contact clients to arrange appointments or give notice regarding deficiencies in completed forms,
 - (iv) provide information on the status of a client's account and provide account balances,
 - (v) provide quotes and other market information,
 - (vi) contact the public, including inviting the public to firm seminars and forwarding non-securities specific information,
 - (vii) receive completed New Client Application Forms to forward to the Dealer Member for approval, and

- (viii) distribute New Client Application Forms, provided that
 - (1) apart from specific allowances described elsewhere in this Rule 2400, if assistance is given to a client in completing the Form, it is given by a registered person of the Dealer Member, or by the manager, assistant manager or credit officer in the branch where there is no registered person of the Dealer Member, provided that such person possesses a high degree of knowledge about the client's financial affairs, and
 - (2) before any trades are conducted on behalf of a client, the Form is approved by the designated person or branch manager in accordance with Rule 1300.2.
 - (c) It is recommended that sales assistants and other employees be assigned to either the Dealer Member or financial services entity rather than shared between both. If warranted by the circumstances, certain individuals should sign confidentiality agreements.
10. Prohibited Registrant Activities – Registrants are permitted to offer services and products to clients but only with respect to the category of registration within which they are licensed. For example, a mutual fund salesperson is registered solely for the purpose of trading in mutual fund shares or units. The purpose of this restricted category is to allow individuals whose business focuses on a single product to access the securities market with reduced registration requirements. Consequently, mutual fund salespersons may not offer or advise their clients with respect to securities in which they are not registered to trade, nor may they communicate client orders directly or indirectly to an investment dealer salesperson. Furthermore, mutual fund salespersons are permitted to accept orders only for the accounts at the dealer with which they are registered.

RULE 2900

PROFICIENCY AND EDUCATION:

PART I – PROFICIENCY REQUIREMENTS

INTRODUCTION

This Part I outlines the proficiency requirements for Approved Persons. These proficiency requirements consist of both entrance thresholds and on-going requirements.

DEFINITIONS

For the purpose of this Part I:

“Recognized Foreign Self-regulatory Organization” means a foreign self-regulatory organization which offers a reciprocal treatment to Canadian applicants and which has been approved as such by Corporation. All courses and examinations, unless otherwise specified, are administered by CSI Global Education Inc.

A. Proficiency Requirements for Approved Persons

1. Supervisors

- (a) The proficiency requirements for Supervisors of Approved Persons dealing with retail customers are:
 - (i) Two years of relevant experience working for a Dealer Member or such equivalent experience as may be acceptable to the applicable District Council;

- (ii) If supervising Registered Representatives dealing with retail customers, successful completion of
 - A. The Canadian Securities Course,
 - B. The Conduct and Practices Handbook Course
 - C. The Branch Managers Course, and
 - D. The Effective Management Seminar within 18 months after beginning to supervise Registered Representatives dealing with retail customers.
- (iii) If supervising Investment Representatives only, successful completion of The Canadian Securities Course, The Conduct and Practices Handbook Course, and the Branch Managers Course
- (iv) If supervising options trading, successful completion of The Derivatives Fundamentals Course, The Options Licensing Course and The Options Supervisor Course.
- (v) If supervising futures contract and futures contract options, successful completion of:
 - A.
 - 1. The Derivatives Fundamentals Course and the Futures Licensing Course (“FLC”), or
 - 2. The FLC and the National Commodity Futures Examination administered by the National Association of Securities Dealers;
 - and
 - B. the Canadian Commodity Supervisors Examination.
- (b) The proficiency requirements for Supervisors of Approved Persons dealing with Institutional Customer accounts only are:
 - (i) If supervising Registered Representatives or Investment Representatives dealing with institutional customers, successful completion of:
 - A.
 - 1. The Branch Managers Course, or
 - 2. The Partners, Directors and Senior Officers Course;
 - and
 - B. The proficiency requirements necessary to conduct or supervise any trading activity carried on by Approved Persons he or she supervises.
 - (ii) If supervising options trading, successful completion of The Options Supervisor Course.
 - (iii) If supervising futures contract and futures contract options, successful completion of:
 - A.
 - 1. The Derivatives Fundamentals Course and Futures Licensing Course, or
 - 2. The Futures Licensing Course and the National Commodity Futures Examination administered by the Financial Industry Regulatory Authority;
 - and

- B. the Canadian Commodity Supervisors Examination.
- (c) A Chief Compliance Officer who is also a Supervisor of a producing Supervisor is exempt from the proficiency requirements in 1(a)(ii) provided he/she complies with the proficiency requirements of Dealer Member Rule 2900 Part I A.2B.
- (d) If an individual is approved as a Supervisor as of September 28, 2009, the requirement to complete The Derivatives Fundamentals Course and The Options Licensing Course in subsection 1(a)(iv) does not apply to the individual so long as the individual remains approved in the Supervisor category.
- (e) An individual who supervises a Registered Representative under Rule 1300.15(c) must satisfy the applicable proficiency requirements of Rule 2900 Part I A.6 or section 3.11 (Portfolio manager – advising representative) of National Instrument 31-103 *Registration Requirements and Exemptions* and is, for greater certainty, exempt from the requirements in Rule 2900 Part I A.1(a)(i), (ii) and (v).
- (f) A partner, Director, or Officer who is a Designated Supervisor under Rule 1300.2 or 1300.4 and who undertook such a supervisory role immediately prior to September 28, 2009 is exempt from the applicable requirements in subsection 1(a)(ii) and (iii) provided:
 - (i) the individual successfully completed the Partners, Directors and Senior Officers Course;
 - (ii) the individual seeks approval as a Supervisor within 6 months of September 28, 2009; and
 - (iii) the individual remains approved in the Supervisor category.

2. Directors and Executives

The proficiency requirements for a Director or Executive of a Dealer Member under Rule 7.3 or 7.4 are:

- (a) Successful completion of the Partners, Directors and Senior Officers Course;
- (b) If also approved in a trading category, successful completion of the applicable proficiency requirements; and
- (c) If supervising the handling of customer accounts, successful completion of the applicable proficiency requirements for a Supervisor.

2A. Chief Financial Officers

1. The proficiency requirements for a chief financial officer pursuant to Rule 38.6 are:
 - (a) A financial accounting designation, university degree or diploma, or equivalent work experience; and
 - (b) Successful completion of the Partners, Directors and Senior Officers Course, and
 - (c) Successful completion of the Chief Financial Officers Qualifying Examination.
2. A person approved as Acting Chief Financial Officer pursuant to Rule 7.5(b) shall have 90 days from the date of termination of the Chief Financial Officer to successfully complete of the Chief Financial Officers Qualifying Examination.

3. Any Dealer Member that fails to provide to the Corporation proof of successful completion of the Chief Financial Officers Qualifying Examination within 10 days of the dates specified for successful completion in section 2 above, or such other dates as the Corporation may specify, shall be liable for and pay to the Corporation such fees as the Board may from time to time prescribe.

2B. Chief Compliance Officers

1. The proficiency requirements for a chief compliance officer pursuant to Rule 38.7 are:
 - (a) Successful completion of the Partners, Directors and Senior Officers Qualifying Examination; and
 - (b) Successful completion of the Chief Compliance Officers Qualifying Examination.
2. A person approved as acting Chief Compliance Officer pursuant to Rule 38.7 shall have 90 days from the date of termination of the Chief Compliance Officer to successfully complete of the Chief Compliance Officers Qualifying Examination.
3. Any Dealer Member that fails to provide to the Corporation proof of successful completion of the Chief Compliance Officers Qualifying Examination within 10 days of the dates specified for successful completion in section 2 above, or such other dates as the Corporation may specify, shall be liable for and pay to the Corporation such fees as the Board may from time to time prescribe.

3. Registered Representatives and Investment Representatives

The proficiency requirements for a Registered Representative or Investment Representative under Rule 18.3 are:

- (a) (i) Successful completion of
 - (A) The Canadian Securities Course prior to commencing the training programme described in subsection (C),
 - (B) The Conduct and Practices Handbook Course, and
 - (C) Either
 1. For a Registered Representative dealing with retail customers a 90-day training programme during which time he or she has been employed with a Dealer Member firm on a full-time basis, or
 2. For an Investment Representative, a 30-day training programme during which time he or she has been employed with a Dealer Member firm on a full-time basis;
- or
- (ii) Successful completion of the New Entrants Course, where the person was registered or licensed with a recognized foreign self-regulatory organization within three years prior to application with the Corporation;

and

- (b) For a Registered Representative dealing with retail customers other than a Registered Representative dealing in mutual funds only, successful completion of the Wealth Management Essentials course within 30 months after his or her approval as a Registered Representative.

4. Registered Representatives and Investment Representatives Dealing only in Mutual Funds

The proficiency requirement for a Registered Representative or Investment Representative dealing only in mutual funds under Rule 18.7 is successful completion of:

- (a) The Canadian Securities Course;
- (b) The Canadian Investment Funds Course administered by IFIC,
- (c) The Investment Funds in Canada Course administered by CSI Global Education Inc. and previously The Institute of Canadian Bankers, or
- (d) The Principles of Mutual Funds Investment Course administered by CSI Global Education Inc. and previously The Institute of Canadian Bankers.

5. Traders

The proficiency requirement for a Trader under Rule 500.2 is:

- (a) for a Trader on the Toronto Stock Exchange or TSX Venture Exchange, the Trader Training Course, unless an exemption is granted by either exchange or its market regulation services provider.
- (b) for a Trader on the Bourse de Montreal, the proficiency requirements determined to be acceptable by Bourse de Montreal.

6. Portfolio Management

6.1 The proficiency requirements for a Registered Representative providing discretionary portfolio management for managed accounts that do not trade in futures contracts are:

- (a) Successful completion of
 - (i) The Conduct and Practices Handbook Course, and
 - (ii) either
 - A. The courses necessary to attain the Canadian Investment Manager Designation, or
 - B. The three levels of the Chartered Financial Analyst programme administered by the CFA Institute; and
- (b) Experience
 - (i) Of at least three years as a Registered Representative or a research analyst for a Dealer Member,
 - (ii) Of at least two years ending not more than three years prior to the date of application as a registered advisor under Canadian securities legislation managing on a discretionary basis at least \$5,000,000 in aggregate assets; or

- (iii) Of at least five years ending not more than three years prior to the date of application, managing a portfolio of \$5,000,000 or more, on a discretionary basis, while employed by a government-regulated institution.

6.2 The proficiency requirements for a Registered Representative exercising discretionary authority over managed accounts trading in futures contracts or futures contracts options are:

- (a) Successful completion of
 - (i) The Canadian Commodity Supervisors Exam, the Futures Licensing Course and the courses necessary to attain the Derivatives Market Specialist Designation; or
 - (ii) The Chartered Financial Analyst program administered by the CFA Institute; and
- (b) Experience ending no earlier than three years prior to the date of commencing to exercise discretionary authority over managed accounts of at least 5 years as an Approved Person actively engaged in advising on and trading in futures contracts or futures contracts options for customer accounts.

7. Commodity Futures Contracts and Options

7.1 The proficiency requirements for a Registered Representative or Investment Representative who deals with customers in futures contracts or futures contract options are successful completion of:

- (a) The Derivatives Fundamentals Course and the Futures Licensing Course, or
- (b) The Futures Licensing Course and the National Commodity Futures Examination administered by the Financial Industry Regulatory Authority.

8. Options

The proficiency requirement for a Registered Representative or Investment Representative who deals with customers in options is successful completion of:

- (a) The Derivatives Fundamentals Course and the Options Licensing Course, or
- (b) The Series 7 administered by the Financial Industry Regulatory Authority and the New Entrants Course.

B. General Exemption

1. The applicable District Council may, under Rule 20.24, exempt any person or class of persons from the proficiency requirements on such terms and conditions, if any, as the applicable District Council may see fit.
2. The Board may prescribe a fee to be paid for any exemption application under paragraph 1.

PART II – EXAMINATION REWRITE REQUIREMENTS AND COURSE AND EXAMINATION EXEMPTIONS

INTRODUCTION

This Part II outlines the exemptions that exist from the Corporation's course and examination requirements for persons seeking to be approved in certain categories of registration. This Part II exempts applicants from the requirement to rewrite courses or examinations that they have successfully completed if they are re-entering the industry, re-registering in a category of registration or seeking initial registration within certain time periods. This Part II also provides exemptions to applicants from the requirements to initially write a course or examination if the applicant satisfies one of the specifically enumerated exemptions based on grandfathering provisions or the successful completion of other courses and examinations. In addition, this Part II sets out the basis upon which the applicable District Council may grant a discretionary exemption. All courses and examinations, unless otherwise specified, are administered by CSI Global Education Inc.

A. Requirement to Rewrite Courses and Examinations

1. Current and Former Approved Persons

- (a) An applicant for approval who was previously approved in a category must complete a proficiency requirement if he or she has not been approved in the category to which the requirement applies within the three years prior to the date of application.
- (b) An Applicant or Approved Person who has previously conducted a particular type of business must complete a proficiency required to conduct the type of business if he or she has not conducted the type of business within the past three years.
- (c) Sections (a) and (b) do not apply to new or amended course requirements not required when the Approved Person or applicant for approval was initially approved or began to conduct the type of business, provided that the applicant was not under a requirement to complete the course or examination when the applicant's approval lapsed.

2. Approval after Completion of Course

Subject to Rule 2900 Part II A.3(a), an applicant for approval who has never been approved or conducted a type of business must rewrite a required examination or course if it was completed more than two years before the date of application.

3. The Canadian Securities Course

- (a) An applicant for approval who has not previously been approved in a category or conducted a type of business requiring the Canadian Securities Course who would otherwise be required to rewrite the course is exempt if the applicant has:
 - (i) within two years prior to the date of application, successfully completed any one of the Professional Financial Planning Course, Wealth Management Techniques Course, Wealth Management Essentials Course, Investment Management Techniques Course, Portfolio Management Techniques Course, or the three levels of the Chartered Financial Analyst programme administered by the CFA Institute, or;

- (ii) within three years prior to the date of application completed the New Entrants Course or the Canadian Securities Course
- (b) An applicant for approval in a category or to conduct business requiring the Canadian Securities Course who was approved in a category or conducted a type of business requiring the course and who would otherwise be required to rewrite the course is exempt if the applicant has within three years prior to the date of application successfully completed any one of the Professional Financial Planning Course, Wealth Management Techniques Course, Wealth Management Essentials Course, Investment Management Techniques Course, Portfolio Management Techniques Course, or the three levels of the Chartered Financial Analyst programme administered by the CFA Institute.

4. The Chief Financial Officers Qualifying Examination

An applicant who would otherwise be required to rewrite the Chief Financial Officers Qualifying Examination is exempt if the applicant has, since completing the Chief Financial Officers Qualifying Examination, been working closely with and providing assistance to a Chief Financial Officer.

5. The Derivatives Fundamentals Course

- (a) An applicant for approval or an Approved Person who will be dealing with customers in futures contracts or futures contracts options and who would otherwise be required to rewrite the Derivatives Fundamentals Course is exempt if the applicant or Approved Person has within the past two years completed the Futures Licensing Course or the Canadian Commodity Supervisors Examination.
- (b) An applicant for approval or an Approved Person who will be dealing with customers in options and who would otherwise be required to rewrite the Derivatives Fundamentals Course is exempt if the applicant or Approved Person has within the past two years completed the Options Licensing Course.

6. The Futures Licensing Course

An applicant for approval or an Approved Person who will be dealing with customers in futures contracts or futures contracts options and who would otherwise be required to rewrite the Futures Licensing Course is exempt if the applicant or Approved Person has within the past two years completed the Canadian Commodity Supervisors Examination.

7. The Wealth Management Essentials course

An applicant who would otherwise be required to rewrite the Wealth Management Essentials Course is exempt if the applicant is currently seeking approval within two years of successfully completing the Investment Management Techniques Course, Portfolio Management Techniques Course, 3 levels of the Certified Financial Analyst programme administered by the CFA Institute, Professional Financial Planning Course, or the Wealth Management Techniques Course.

8. 30-Day Training Program

An applicant is exempt from re-doing the 30-day training program required under Rule 2900 Part I 3(a)(i)(C)2 if, within three years prior to application, the applicant was approved for trading for Retail Customers in securities with a Dealer Member or by a recognized foreign regulatory authority or self regulatory organization or a Canadian securities regulatory authority.

9. 90-Day Training Program

An applicant is exempt from re-doing the 90-day training program required under Rule 2900 Part I 3(a)(i)(C)1 if, within three years prior to application, the applicant was approved for trading and advising Retail Customers in securities with a Dealer Member or by a recognized foreign regulatory authority or self regulatory organization or a Canadian securities regulatory authority.

B. Exemptions from Writing**1. Current and Former Approved Persons**

- (a) An Approved Person is exempt from completing a new or amended proficiency requirement not in place at the time he or she was approved in a category unless the rule setting the requirement specifically provides otherwise.
- (b) An applicant for approval who was an Approved Person is exempt from completing a new or amended proficiency requirement not in place at the time of the applicant's previous approval in the same category for three years after the applicant's previous approval lapsed unless the rule setting the requirement specifically provides otherwise.

2. The Canadian Securities Course

An applicant is exempt from writing the Canadian Securities Course if the applicant has previously been registered or licensed with a recognized foreign regulatory authority or self-regulatory organization and has successfully completed the New Entrants Course within two years of the application.

3. The Derivatives Fundamentals Course

An applicant is exempt from writing the Derivatives Fundamentals Course if the applicant is seeking approval within two years of successfully completing the Options Course Licensing Course, the Options Supervisors Course, the Futures Licensing Course, or the Canadian Commodity Supervisors Examination.

4. The Wealth Management Essentials Course

An applicant is exempt from writing the Wealth Management Essentials Course if the applicant

- (a) (i) has successfully completed the Investment Management Techniques Course or the Professional Financial Planning Course prior to July 4, 2008, having been enrolled prior to July 4, 2006 and

- (ii) is seeking approval within two years of successfully completing the Wealth Management Techniques Course or the Portfolio Management Techniques Course; or
- (b) Is seeking re-approval within three years of successfully completing the Wealth Management Techniques Course or the Portfolio Management Techniques Course.

5. 90-Day Training Program

An applicant is exempt from completing the 90-day training program if, within three years prior to application, the applicant was approved or registered with a Dealer Member, securities dealer or investment dealer; or by a recognized foreign regulatory authority or self regulatory organization; or as an investment advisor by a Canadian securities regulatory authority in a capacity permitting trading and advising in securities to Retail Customers.

6. 30-Day Training Program

An applicant is exempt from completing the 30-day training program if, within three years prior to application, the applicant was registered with a Dealer Member, securities dealer or investment dealer; or by a recognized foreign regulatory authority or self regulatory organization; or as an investment advisor by a Canadian securities regulatory authority in a capacity permitting trading in securities to Retail Customers.

C. Discretionary Exemptions

- (a) The applicable District Council may, under Rule 20.24, grant an exemption from the requirement to rewrite or write any required course or examination, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption, if the applicant demonstrates adequate experience and/or successful completion of industry courses or examinations that the applicable District Council, in its opinion, determines is an acceptable alternative to the required proficiency.
- (b) The Board may prescribe a fee to be paid for any exemption application under this Rule 2900 Part II.

PART III – THE CONTINUING EDUCATION PROGRAM

INTRODUCTION

This Part III establishes a Continuing Education Program (the Program) for Participants for the duration of their career in the securities industry. The Program operates on three-year cycles, the first commencing in January 1, 2000. The start-to-end date of each cycle is the same for all participants.

A. DEFINITIONS

For the purposes of this Part III,

“Course” – means a single integrated course, or a series of pertinent courses, seminars, presentations or programs that in total meet the minimum time and content requirements of the course guidelines which form part of this Rule 2900, Part III.

“Participants” – means certain “Approved Persons” employed by Dealer Members of the Investment Industry Regulatory Organization of Canada (the Corporation), and approved by the Corporation in the registration categories listed in Schedule 1 of this Rule 2900, Part III (Schedule 1).

B. PARTICIPATION IN THE PROGRAM

Unless exempted under Rule 2900, Part III, Participants must complete continuing education courses based on their categories of approval, as specified in Schedule 1.

In general, individuals who are registered to do retail business and give advice must complete a 12-hour Compliance course and a 30-hour Professional Development course during each three-year cycle. Those who are not registered to do retail business (who deal with institutions only) and those not registered to give advice (such as Investment Representatives) must complete a 12-hour compliance course only, each cycle.

C. EXEMPTION FROM THE WHOLE OR PART OF THE PROGRAM

1. Partners, Directors and Officers approved in non-trading and non-supervisory categories of registration are exempt from the Program.
2. Participants approved as Registered Representatives and Supervisors, who have been continuously approved in a trading capacity for more than 10 years as of January 1, 2000 by a recognized Self Regulatory Organization (the Corporation, Toronto Stock Exchange, Montreal Exchange, Alberta Stock Exchange or Vancouver Stock Exchange), are exempt from the requirement to complete a professional development course. However, such persons shall complete a compliance course in each cycle throughout their career.

D. ENTRY OF RECENTLY APPROVED PERSONS

Recently Approved Persons shall not participate in the Program during the first three years of registration but shall do so, depending on the year of registration, as follows:

1. If the three years since registration ends in year one of a cycle, then the Approved Person becomes a participant in that cycle.
2. If the three years since registration ends in year two or three of a cycle, then the Approved Person becomes a participant in next three-year cycle of the Program.
3. For greater clarification, refer to the Chart below.

An Approved Person first approved in the year:	Starts CE in this Cycle
1997	Cycle 1: 1/Jan/2000 to 31/Dec/2002
1998	Cycle 2: 1/Jan/2003 to 31/Dec/2005
1999	Cycle 2: 1/Jan/2003 to 31/Dec/2005
2000	Cycle 2: 1/Jan/2003 to 31/Dec/2005
2001	Cycle 3: 1/Jan/2006 to 31/Dec/2008
2002	Cycle 3: 1/Jan/2006 to 31/Dec/2008

2003	Cycle 3: 1/Jan/2006 to 31/Dec/2008
2004	Cycle 4: 1/Jan/2009 to 31/Dec/2011
2005	Cycle 4: 1/Jan/2009 to 31/Dec/2011
2006	Cycle 4: 1/Jan/2009 to 31/Dec/2011
2007	Cycle 5: 1/Jan/2012 to 31/Dec/2014
2008	Cycle 5: 1/Jan/2012 to 31/Dec/2014
2009	Cycle 5: 1/Jan/2012 to 31/Dec/2014
2010	Cycle 6: 1/Jan/2015 to 31/Dec/2017
2011	Cycle 6: 1/Jan/2015 to 31/Dec/2017
2012	Cycle 6: 1/Jan/2015 to 31/Dec/2017

E. RE-ENTRY OF APPROVED PERSONS

1. Individuals who were registered more than three years ago and who are returning to the industry will be required to complete their CE requirements in the cycle in which they return.
2. Individuals who are required to re-write the Canadian Securities Course (CSC) and Conduct & Practices Handbook (CPH) in order to re-qualify for registration, may apply these two courses towards the CE requirements for the cycle in which they were re-written. In this circumstance, the CSC can not be carried forward to fulfill the Professional Development requirement in the following cycle.
3. Individuals who have previously been exempted from the Professional Development requirement under Rule 2900, Part III, C.2, who become re-registered after a gap of more than three years, will no longer qualify for the exemption from the Professional Development requirement. These individuals will be required to complete the CE requirement as per their registration category. An exception will be made for individuals who were previously exempted from the Professional Development requirement, who voluntarily participate in the Corporation's CE program during the gap in registration. These individuals will not be required to re-write the CSC and CPH, and will maintain the exemption from the Professional Development requirement when they become re-registered.

F. CHANGE IN CATEGORIES WITHIN A CYCLE

1. Any change, in year one of a cycle, from a registration category that requires a compliance course only, to a category requiring both a compliance course and a professional development course, will require completion of the courses for the new category. If the change occurs in year two or three of the cycle, the requirements are those of the previous category. The requirements for the new position will commence in the next cycle.
2. For changes from a category that requires both a compliance course and a professional development course to a category requiring a compliance course only, the requirements are those of the participant's registration category at the end of the cycle.

3. For changes from a Non-Trading officer category to a Supervisory category that requires a compliance course only, the requirements are the compliance course as per the new category. If the change occurs in year two or three of the cycle, the requirements are those of the previous category. The requirements for the new position will commence in the next cycle.
4. Any change back to a category requiring both a compliance course and a professional development course made after the change as described in subsection 1 will immediately return the participant to the requirement for completion of both the compliance and the professional development course. Should such a change occur too close to the end of the cycle to permit completion of the professional development course, the Dealer Member firm may apply for a hardship extension, pursuant to Section N.
5. An application for a change of category as described in subsection 3 in the first year of the cycle, following a change as described in subsection 2, must be accompanied by an explanation from the Dealer Member sufficient to satisfy the Corporation that the category changes are not in an effort to avoid completion of the Program's requirements.

G. VOLUNTARY PARTICIPATION IN THE PROGRAM

1. Persons who terminate their approval after January 1, 1997, may maintain their standing in the Program on a voluntary basis by completing select courses recognized by the Corporation as meeting the requirements of the Program. The voluntary participation courses must comply with the guidelines that form part of this policy.
2. Persons maintaining voluntary standing in the Program as described in subsection 1 are exempt from the examination rewrite requirements outlined in Rule 2900, Part II – Course and Examination Exemptions for the Canadian Securities Course (CSC) and the Conduct and Practices Handbook Exam (CPH). The CSC and/or CPH must have been successfully passed within the three years prior to the start of either:
 - (a) the current cycle, or
 - (b) the earliest cycle in which the individual began continuous participation in the Program.
3. Graduates of the CSC and the CPH who have not been approved in any capacity, may join the Program on a voluntary basis by taking courses recognized by the Corporation as meeting the requirements for the Program. The CSC and/or CPH must have been successfully passed within the three years prior to the start of either:
 - (a) the current cycle, or
 - (b) the earliest cycle in which the individual began continuous participation in the Program.
4. Persons joining the Program as described in subsection 3 are exempt from the examination rewrite requirements outlined in Rule 2900, Part II – Course and Examination Exemptions.
5. Voluntary participants must complete a professional development course and a compliance course in each cycle to maintain voluntary participation standing and qualify for the exemptions in subsections 2 and 4. Both a Compliance course and Professional Development course must be completed irrespective of which position the individual intends to apply for.

6. The exemptions in subsections 2 and 4 are valid until the end of the first year of the next cycle. As a result, Voluntary participation in CE will keep the CSC and CPH valid until the end of the first year of the next cycle.
7. Both the Compliance and the Professional Development courses used for Voluntary Participation must be completed within the cycle to which they are applied and cannot be carried forward from a previous cycle.
8. Individuals may still be responsible for obtaining exemptions and paying any associated fee required by securities legislation for their province or territory.

H. RECORD KEEPING REQUIREMENTS

1. Evidence of Completion may be in the form of a certificate issued by the provider, attendance sheet or bulk notice of completion
2. CE credits earned through courses or seminars at a Participant's previous firm in the current cycle, that have not been reported to the Corporation, may still be considered valid for the Participant by the Participant's current member firm, at the member firm's discretion. The current member firm may accept a statement of verification issued by a former member firm.
3. Dealer Member firms must retain CE certification records and course materials until the end of the cycle following the cycle to which the records relate

I. REPORTING REQUIREMENTS

1. Dealer Members must update the Corporation in the manner prescribed by the Corporation within ten days after the end of the month in which the Dealer Member becomes aware of the names of its Participants that have satisfied all CE course requirements for the completed Cycle.
2. No later than 10 business days following the end of a Cycle, a member must identify via the manner prescribed by the Corporation, those individuals who have not completed the Compliance course and who have been placed under supervision as per the penalties delineated in Section M.

J. THE COMPLIANCE COURSE

1. The 12-hour compliance course is a mandatory component of the Program for all participants. Participants may choose a compliance course from an external course provider or a suitable training Program offered by their sponsoring Dealer Member.
2. Dealer Members may have an external course provider develop and deliver the compliance course or may develop and deliver their own internal course.
3. Courses may be accredited for Corporation CE credits through the Corporation's official accreditation process.
4. The use of a compliance course developed by a Dealer Member is subject to the following requirements:
 - (a) The course developed must comply with the guidelines that form part of this policy.
 - (b) Participants completing a course offered by a Dealer Member shall have the Dealer Member sign off on their successful completion of that course. The Dealer Member shall

determine its own method of evaluating Participants' knowledge and understanding of the courses completed.

K. PROFESSIONAL DEVELOPMENT COURSE

1. Participants may choose a 30-hour Professional Development course from an external course provider or a suitable training Program offered by their sponsoring Dealer Member.
2. The course chosen by a Participant, whether from an external provider or one offered by the Dealer Member, must be approved by the Dealer Member's training supervisor or other responsible person as being relevant to that Participant's role in the investment industry.
3. Courses may be accredited for Corporation CE credits through the Corporation's official accreditation process.
4. Professional development courses developed and offered by the Dealer Member or an external course provider are subject to the following requirements:
 - (a) The courses must comply with the guidelines that form part of this policy.
 - (b) Participants completing courses offered by their sponsoring Dealer Member shall have the Dealer Member sign off on their successful completion of that course. The Dealer Member shall determine its own method of evaluating Participants' knowledge and understanding of the courses completed.

L. CARRY-FORWARD PROVISIONS

1. No carry forwards are permitted for the compliance course requirement.
2. A maximum of one approved course completed prior to the start of the current cycle that satisfies the minimum 30-hour requirement may be carried forward into the next cycle as a professional development credit. Starting with courses taken in Cycle 2, a course of less than 30 hours may not be carried forward into the next cycle.
3. Where a recently Approved Person completes a course that qualifies for the professional development requirement during that Approved Person's first three years of registration, that course can be carried forward to apply to that Approved Person's first cycle.
4. The Professional Financial Planning Course (PFPC), Investment Management Techniques Course (IMT) or Wealth Management Essentials Course (WME) may not be carried forward pursuant to subsection 2 if it was used as to satisfy the requirement of Rule 2900, Part 1, A, section 3(c).
5. A Multi-level program completed over a period of more than one year, such as a university degree program or the Chartered Financial Analyst (CFA) program, may satisfy the professional development course requirement for more than one cycle provided each program level meets the guidelines. A level can be carried forward to satisfy the requirement of the next cycle only.

M. PENALTIES

The following penalties shall be imposed for the failure of a Participant to complete the course requirements within a three-year cycle:

1. At the beginning of year one of the next three-year cycle, a monthly fee in the amount of \$500 shall be imposed against the Participant's sponsoring Dealer Member for a maximum of six months, or until the Participant completes the courses required, whichever occurs first.
2. If, at the end of the six-month period referred to in subsection 1, the Participant fails to complete the Program requirements, then the Participant's approval will be suspended automatically until such time as the participant successfully completes the course requirements.
3. If, at the end of the three-year cycle, the Participant fails to complete the compliance portion of the program, then a mandatory condition of close supervision, with reports to be retained at the Dealer Member firm, will be imposed on the Participant's registration until such time as course is successfully completed.
4. Any late completion fees paid in error will be refunded provided that the refund is claimed within 120 days of the first day of the month for which the fee was paid.

N. HARDSHIP EXTENSION FROM COMPLETION OF COURSE REQUIREMENTS IN A THREE-YEAR CYCLE

1. A Participant may be granted a hardship extension from the requirement to complete the course requirements within a three-year cycle due to, but not limited to, an illness if
 - (a) A partner, Director or Officer of the participant's sponsoring Dealer Member
 - (i) approves the delay of completion of the course requirements;
 - (ii) advises the Corporation of the reasons for the delay and
 - (iii) agrees to a new date for the completion of the course requirement; and,
 - (b) The applicable District Council, or its designate, in its discretion determines that the delay is warranted.
2. Despite subsection 1, the granting of such an extension does not permit the Participant to delay the commencement of the next three-year cycle.
3. In the case of an indefinite leave of absence, a Participant unable to complete their requirements for more than one cycle may receive an exemption from the Program provided that
 - (a) A partner, Director or Officer of the participant's sponsoring Dealer Member
 - (i) approves the exemption, and
 - (ii) outlines, in a letter delivered to the Corporation, the reasons for the exemption and specifying the leave is for an indefinite period; and
 - (b) The applicable District Council or its designate, in its discretion, determines that the exemption is warranted.
 - (c) Upon return to the industry and before engaging in any activity requiring registration
 - (i) after an absence of less than three years, the Participant's CE requirements will be determined by the applicable District Council
 - (ii) after an absence of more than three years, the Participant shall successfully complete the required proficiency courses as outlined in Rule 2900, Part II.

THE COMPLIANCE COURSE**A. BASIC PRINCIPLES**

1. The Rule requires that certain Approved Persons successfully complete the compliance course within each three-year CE cycle. To determine which Approved Persons are required to take the course, please refer to the Rule itself.
2. A Dealer Member can choose to develop and deliver a compliance course, which reflects its own assessment of its current needs and priorities, or it may purchase a compliance course from an external provider. Alternatively, Dealer Members may offer a combination of both.
3. Compliance courses completed by branch managers, sales managers and others in a supervisory position should reflect their additional responsibilities.
4. The Dealer Member must maintain a record of successful completion of the compliance course.
5. As part of the audit process, the Corporation will review Dealer Member-developed compliance courses to ensure they satisfy the Guidelines.
6. If the compliance course program includes an examination, this examination must be successfully completed in order for the course to be applied towards the individual's Compliance requirement.
7. Seminars that support other courses, or preparatory courses that support a course or examination, do not qualify separately for CE credit. The course or examination they support must be successfully completed in order to complete the CE requirement and the support or preparatory course hours may then be included in determining the duration of the total course. The CE credits for the preparatory course must be counted towards the same requirement (Compliance or Professional Development) as the applicable course and must be counted in the same CE Cycle.
8. A Participant who sits on a committee or council of the Corporation, or who teaches a financial course may receive CE credits provided the member firm determines that the issues dealt with are relevant. The member firm may determine the amount of time applicable towards CE Compliance credits.
9. Foreign courses that have a compliance portion can satisfy up to 1/3 (4 hours) of the Corporation's CE Compliance requirement for a cycle. The remaining 2/3 (8 hours) must be satisfied through Canadian compliance courses.
10. The Compliance requirement for Voluntary Participation is restricted to selected courses. For further information, see Voluntary Participation Courses in this guideline.

THE PROFESSIONAL DEVELOPMENT COURSE**A. BASIC PRINCIPLES**

1. In general, the courses should be relevant to the securities industry and financial advisors, management-oriented, or designed to improve client service.
2. The subject matter of an individual's course or courses should reasonably reflect that person's skill requirements or be based on the firm's products and market strategies.

3. The program undertaken should reflect the industry's commitment to high quality client service, advice, and professionalism.
4. The subject matter should be educational and non-promotional in nature. For example, the following would not qualify: corporate events held exclusively to introduce or promote new product or service offerings, networking events, or motivational speakers.
5. Subject matter relating to issuer-specific/branded product qualifies if presented in the context of a larger education course or presentation. The general education portion of a course relating to a product category may be granted full credit for the number of hours it takes and the issuer-specific portion should be credited half credit.
6. The program's provider should be professional, having defined the program's learning outcomes in advance, and be able to certify a student's successful completion. Alternatively, the firm may certify a student's successful completion, and assume responsibility for this function.
7. If the course program includes an examination, this examination must be successfully completed in order for the course to be applied towards the individual's Professional Development requirement.
8. Seminars that support other courses, or preparatory courses that support a course or examination, do not qualify separately for CE credit. The course or examination they support must be successfully completed in order to complete the CE requirement and the support or preparatory course hours may then be included in determining the duration of the total course. The CE credits for the preparatory course must be counted towards the same requirement (Compliance or Professional Development) as the applicable course and must be counted in the same CE Cycle.
9. An individual who teaches a relevant course may receive CE credits provided the member firm determines that the issues dealt with are relevant to Professional Development. The member firm may determine the amount of time applicable towards CE Professional Development credits.
10. Foreign courses can be used to satisfy the entire Professional Development requirement provided the course relates to the business the participant is engaged in.
11. The Professional Development requirement for Voluntary Participation is restricted to selected courses. For further information, see Voluntary Participation Courses in this guideline.

RULE 3200

MINIMUM REQUIREMENTS FOR DEALER MEMBERS SEEKING APPROVAL UNDER RULE 1300.1(T) FOR SUITABILITY RELIEF FOR TRADES NOT RECOMMENDED BY THE MEMBER

A. Minimum requirements for Dealer Members offering solely an order-execution service, either as the Dealer Member's only business or through a separate business unit of the Dealer Member

1. Business Structure and Compensation

- (a) The Dealer Member must operate either as a legal entity or a separate business unit which provides order-execution only services.
- (b) If operated as a separate business unit of the Dealer Member, the order-execution only service must have separate letterhead, accounts, registered representatives and investment representatives and account documentation.
- (c) The registered representatives and investment representatives of the Dealer Member or separate business unit of the Dealer Member shall not be compensated on the basis of transactional revenues.

2. Written Policies and Procedures

- (a) The Dealer Member or separate business unit of the Dealer Member must have written policies and procedures covering all of the matters outlined in this Rule.
- (b) The Dealer Member or separate business unit of the Dealer Member must have a program for communicating those policies and procedures to all its registered representatives and investment representatives and ensuring that the policies and procedures are understood and implemented.

3. Account Opening

- (a) At the time an account is opened, the Dealer Member or separate business unit of the Dealer Member must make a written disclosure to the customer advising that the Dealer Member or separate business unit of the Dealer Member will not provide any recommendations to the customer and will not be responsible for making a suitability determination of trades when accepting orders from the customer. Such disclosure shall clearly explain to the customer that the customer alone is responsible for his or her own investment decisions and that the Dealer Member will not consider the customer's financial situation, investment knowledge, investment objectives and risk tolerance when accepting orders from the customer.
- (b) At the time an account is opened, the Dealer Member or separate business unit of the Dealer Member must obtain an acknowledgement from the customer that the customer has received and understood the disclosure described in Paragraph 3(a). For accounts such as joint and investment club accounts having more than one direct beneficial owner, the Dealer Member must obtain an acknowledgement from all beneficial owners.
- (c) Prior to operating any existing accounts under the approval, the Dealer Member or separate business unit of the Dealer Member must provide the disclosure described in Paragraph 3(a) to the customer and obtain the acknowledgement described in Paragraph 3(b).
- (d) The acknowledgements obtained under Paragraphs 3(b) and (c) must take the form of a positive act by the customer(s), a record of which must be maintained by the Dealer Member in an accessible form. Possible forms of the acknowledgement are:

- (i) The customer's signature or initials on a new customer application form or similar document where the signature or initial specifically relates to the required disclosure and acknowledgement;
- (ii) The clicking of an appropriately labeled button on an electronic account application form, placed directly under the disclosure and acknowledgement text;
- (iii) The tape recording of a verbal acknowledgement made by telephone.

4. Supervision

- (a) The Dealer Member or separate business unit of the Dealer Member must have written procedures for the supervision of trading reasonably designed to ensure that customers are not provided with recommendations as a result of the customer having an account with the separate business unit of the Dealer Member and with another separate business unit of the Dealer Member or with the Dealer Member itself.
- (b) The Dealer Member or separate business unit of the Dealer Member must have written procedures and systems in place to review customer trading and accounts for those concerns listed in Rule 2500 other than those related solely to suitability.
- (c) The Dealer Member or separate business unit of the Dealer Member must maintain an audit trail of supervisory reviews as required in Rule 2500.
- (d) The Dealer Member or separate business unit of the Dealer Member must have sufficient supervisory resources allocated at head office and branch levels to effectively implement the supervisory procedures required under this Rule.

5. Systems and Books and Records

- (a) The order-entry systems and records of the Dealer Member or separate business unit of the Dealer Member must be capable of labeling all account documentation relating to customers, including monthly statements and confirmations, as "order-execution only accounts" or some variant thereof.
 - (b) The monthly statements of a separate business unit of a Dealer Member shall not be consolidated with the account statements of any other business unit of the Dealer Member or of the Dealer Member itself.
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