On October 4, 2006, the Task Force to Modernize Securities Legislation in Canada concluded its intensive 16-month study with a comprehensive set of recommendations to bolster the international competitiveness of Canada’s capital markets.

The report, entitled *Canada Steps Up*, offered 65 recommended Canada-wide reforms that focus on creating more empowered, more informed, more financially literate investors; improving the speed and simplicity with which issuers can go to market; and enhancing both the effectiveness and fairness of enforcement on a Canada-wide basis.

Task Force Chairman Tom Allen said that the Task Force had found Canada’s capital markets to be “operating under a burden of cumbersome compliance requirements, uncoordinated, uneven enforcement and too many investors who are not adequately informed”.

*Canada Steps Up* is the culmination of research conducted on a national and international scale unprecedented in a Canadian study of capital markets. More than 3,000 pages of research in five volumes of supporting documents was prepared by 40 researchers from Australia, the U.S., Canada and the U.K., all providing substantive, research-based data underpinning the Task Force’s comprehensive recommendations.

Among the key recommendations in *Canada Steps Up*:

1. That investor education and financial literacy be made a national priority, with the creation of a National Coordinator of existing public and private sector investor education programs.

2. A paperless revolution in compliance. Once initial, IPO disclosure documents were issued, companies would no longer be required to produce hard copy annual reports, proxy circulars and other continuous disclosure documents for investors - instead, disclosure would be accomplished by electronic filings on SEDAR and the issuer’s website. Regulatory reforms in recent years have drastically increased the amount that companies are required to publicly disclose. However, the sheer mass of information disclosed in itself often acts as an obstacle for ordinary investors. The Task Force sees the next challenge as transforming that disclosed data into accessible, understandable, useful information for investors, with Canada fully adopting the “access equals delivery” model for disclosure.

3. The creation of an innovative, world-leading system for disclosure. The Task Force has funded a prototype, entitled MERIT (Model for Effective Regulatory Information Transfer). MERIT would be the next-generation, e-world disclosure system - an interactive, easy-to-use,
Canada Steps Up – At a Glance

Volume 1 - Canada Steps Up, Final Report

Volume 2 - Evolving Investor Protection
An Analysis of Disclosure Systems
• Modernizing Disclosure in Canadian Securities Law: An Assessment of Recent Developments in Canada and Selected Jurisdictions
• Capital-Market Effects of Corporate Disclosures and Disclosure Regulation

How Are Investment Decisions Made?
• How Are Investment Decisions Made?

Insurance Against Misinformation
• Insurance Against Misinformation in the Securities Market
• Insurance Against Misinformation in the Securities Market: Actuarial Aspects

Volume 3 - Evolving Investor Protection
Investors / Issuers Balance
• Towards Effective Balance Between Investors and Issuers in Securities Regulation

New Products and Emerging Risks
• A Canadian Framework for Hedge Fund Regulation
• Collapse of Portus Alternative Asset Management Inc. and Norshield Asset Management (Canada) Ltd.
• Implications of the User of Investment Wrappers

Financial Literacy
• Investor Education in Canada: Towards A Better Framework

Volume 4 - Maintaining a Competitive Capital Market In Canada
Attributes of a Competitive Capital Market
• The Role of Securities Regulation in Promoting a Competitive Capital Market
• Ideal Attributes of a Marketplace

True Local Characteristics of Canada’s Capital Markets
• The Characteristics of Canada’s Capital Markets and the Illustrative Case of Canada’s Legislative and Regulatory Response to Sarbanes-Oxley
• Do Companies Go Public Too Early in Canada?
• Some Obstacles to Good Corporate Governance In Canada and How to Overcome Them

Balancing of Cost and Benefit
• Cost-Benefit Analysis of Canadian Securities Regulation

Volume 5 - Maintaining a Competitive Capital Market In Canada
U.S. Securities Regulation Applied to Canada
• Well-Known Seasoned Issuers in Canada

Impediments to Free Flow of Capital
• Heard on the Street: Interviews with Market Actors on the Future of Canadian Securities Regulation

The LSE’s AIM versus TSX Venture Exchange
• The Competitiveness of Canadian Stock Exchanges: What Can We Learn from the Experience of the Alternative Investment Market?
• The LSE’s AIM Market: Effect on Returns and Trading of Canadian Stocks

Importing the e-World into Canadian Securities Regulation
• Filing and Delivery Requirements under Canadian Securities Legislation
• Importing the e-World into Canadian Securities Regulation

Volume 6 - Strengthening Market Credibility and Integrity
New Approaches to Enforcement
• The Role of Compliance in Securities Regulatory Enforcement
• Regulatory Intensity in the Regulation of Capital Markets: A Preliminary Comparison of Canadian and U.S. Approaches
• Enforcement and its Impact on Cost of Equity and Liquidity of the Market
• Critical Issues in Enforcement


An Analysis of Gatekeeper Effectiveness in Canada
• A Survey of Corporate Gatekeeper Liability in Canada
• The Effectiveness of Corporate Gatekeeper Liability in Canada
• Thoughts on the Regulation of Investment Analysts in Canada

Role of the Investor in Securities Regulation
• Involving Consumers in Securities Regulation

Volume 7 - Written Submissions and Presentations

The report is available on the IDA website at www.ida.ca and at www.tfmsl.ca.
Members of the Task Force

Thomas I.A. Allen, Q.C. (Chairman)
Chairman, Westwind Capital Corporation and Counsel
Ogilvy Renault LLP

Brian Bayley
President and Chief Executive Officer, Quest Capital Corp.

Donald W. Black, C.M., S.O.M.
Deputy Chair, Greystone Managed Investments Inc.

John C. Coffee, Jr.
Adolf A. Berle Professor of Law at Columbia University
Law School

Jill Denham
Former Vice-Chair, CIBC Retail Markets

Pascale Elharrar
Managing Director & Associate General Counsel, BMO
Capital Markets / BMO Nesbitt Burns

*Stanley H. Hartt, O.C.
Chairman, Citigroup Global Markets Canada Inc.

**Michael Wilson, O.C.
Former Minister of Finance, Canadian Ambassador to the
United States of America

Thomas Edward Kierans, O.C.
Past President, McLeod Young Weir and past President
and Chief Executive Officer, C.D. Howe Institute

L. Jacques Ménard, O.C.
Chairman, BMO Nesbitt Burns and President, BMO
Financial Group, Québec

Colleen Moorehead
President and Chief Executive Officer, Nexient Learning Inc.

Robert J. Pritchard
President and Chief Executive Officer, Taylor Gas Liquids Ltd.

*Task Force Member, April 2006 to September 2006
**Task Force Member, August 2005 to February 2006

CMI Leads Groundbreaking Research Project

The Capital Markets Institute (CMI) was engaged as an independent institution to oversee and direct all aspects of the research process from identifying, defining and commissioning research projects to integrating consultation with senior level stakeholders and direct input from Task Force members to providing researchers with ongoing feedback and support to ensure quality output and on time delivery of research results. As Research Director to the Task Force to Modernize Securities Legislation, the CMI led by Paul Halpern of Rotman School of Management and Poonam Puri of Osgoode Hall Law School played a critical role in building a pool of original research studies representing the latest academic thinking on capital markets issues facing Canada.

As part of the research process, key stakeholders in regulation, government and industry were consulted for their thoughts/views/opinions on preliminary research results. A series of eight closed door, invitation only roundtables were conducted attracting 240-plus participants. This input brought to light different perspectives on the topics discussed helping to ensure research results were relevant, accurate and reflective of today’s reality in capital markets. Research reports also had the added benefit of regular discussion, review and analysis of Task Force members at all stages of the research development.

The breadth of capital markets issues researched at one time, the broad cross section of researchers and level of participatory consultation is unprecedented in capital market research in Canada. This was a major research initiative for the industry and supports an instrumental report on the future of Canada’s capital markets.
Client Relationship Model Consultation

On August 16, 2006, 350 registrants from IDA Member firms in 11 locations across Canada provided valuable input into the development of the Client Relationship Model (formerly known as the Fair Dealing Model) policies. This innovative consultation exercise was intended to complement the regular industry consultation process that the Association undertakes in the development of all its policies and rule making.

Small groups of advisors in Calgary, Edmonton, Halifax, Montréal, Ottawa, Oakville, Mississauga, Toronto, Regina, Vancouver and Winnipeg participated in a two-hour program delivered to each site using satellite interactive broadcasting.

The program included panel presentations from Odlum Brown Ltd. CEO and President Ross Sherwood; IDA Senior Vice-President, Member Regulation Paul Bourque; Vice-President, Regulatory Policy Richard Corner; and Vice-President, Member Services Lisa Lake Langley. Breakout sessions at each of the 11 locations were then followed by question and answer sessions with the panel and advisers at all the locations.

Feedback was collected throughout the consultation through the breakout group discussion and the interactive satellite broadcasting and advisers were asked to complete four written questionnaires on an anonymous and confidential basis. Two of the questionnaires requested feedback on the specifics of the policy proposals; one surveyed participants on the consultation process itself; and the fourth asked participants to provide information on their background, training and the nature/size of their business.

The questionnaires have been tabulated. The survey results were very positive, with participants rating the content and format of the consultation very highly – 44 per cent of the participants rated the session as above average/exceptional with 87 per cent giving the broadcast interactive technology a positive rating. Member Regulation Policy staff are currently reviewing the results of the questionnaires on the policy proposals. The information provided will help the CMR industry committees in the next steps of the policy development process.

The full two hour broadcast is available on the IDA web site at www.ida.ca for general viewing.

Task Force to Modernize Securities Legislation Releases Report continued...

standardized system of corporate disclosure that would also integrate audio and video elements - essentially transforming disclosure into information.

4. Requiring insiders to give two business days advance notice before selling securities – to ensure greater transparency and fairness.

5. A regulatory framework for hedge funds stressing comprehensive disclosure and transparency of all management and administration arrangements and fees, with full registration, including the registration of hedge fund managers.

6. The creation of a new category of well-known seasoned issuers (C-WKSI), with market caps of $350 million or more, with a more streamlined and rapid system for offerings.

7. The elimination of hold periods for privately placed securities of reporting issuers.

8. A coordinated, Canada-wide approach to enforcement to ensure the effective use of resources, the development and deployment of experts with strong commercial knowledge and backgrounds across the country, and the independence and accountability of the enforcement process.

9. The creation of a new position, called Senior Independent Review Officer, in each RCMP IMET locale in Canada, to ensure quality control and good judgment in capital markets investigations, and to make the final call on prosecutions.

10. The establishment of a separate, national Capital Markets Court with jurisdiction over both securities offenses, and civil liability cases related to securities violations.

Continued on the next page
Economic Crime requires new regulatory approaches

Capital markets crime has become more varied and complex, increasingly trans-border, and often global in scope. Advanced technology and sophisticated financial engineering enable long distance, anonymous and instantaneous theft and fraud. The dilemma we confront is that while global in reach, economic crime is local in impact. A fraudster practices a deception somewhere and wherever “somewhere” is, the domestic authorities must respond. This duality strains the capabilities of law enforcement and regulators, circumscribed by jurisdiction, geography and status.

To confront the challenge effectively, we must transform how we do business. The regulatory and enforcement assets at our disposal must be collectively viewed as a national resource, deployed for the benefit of Canada’s capital markets. That demands changes in attitude, new approaches to partnership and more flexible interagency cooperation. It means that while respecting jurisdictional authority we must draw on specialized expertise and market intelligence and put purely turf concerns aside for the greater good. It does not mean ignoring legitimate questions about how information can be appropriately and fairly shared.

The inevitable tensions are obvious, but they must be confronted creatively, because enforcement is key to efficient capital markets. Rules matter, but what frequently matters as much is the effective enforcement of rules. No matter how sound the rules may be in principle, if enforcement is ineffective, our regulatory reputation suffers, investor confidence is undermined and our capital markets will be undervalued.

David Dodge, Governor of the Bank of Canada, has persuasively identified the link between enforcement and efficient capital markets. He said:

“An effective regulatory framework is one where the rules are enforced and are perceived to be enforced...offenders must be prosecuted and adequate penalties must be strictly applied. When everyone is playing by the rules - and everyone is confident that others have the incentives to do the same - then markets operate with greater efficiency.”

Every country has to deal with different organizations responsible for law enforcement. In Canada, that challenge is particularly acute. A multiplicity of regulatory bodies, police agencies and prosecutorial services at the federal, provincial and municipal level means that coordination, cooperation and information sharing among agencies is imperative. These organizations include ten provincial and three territorial securities commissions who exercise responsibility for securities regulation, three national SROs - soon to be reduced to two, assuming the merger between the IDA and RS Inc is approved early next year, and numerous police forces at 3 levels of government. Prosecutions can be conducted by some regulators or by provincial or federal prosecutors. Overlapping offences exist at the provincial and federal

Continued on the next page

Task Force to Modernize Securities Legislation Releases Report continued...

11. The adoption of a policy ensuring that successful defendants in securities cases have their legal costs reimbursed, and more frequent court applications for restitution, damages or compensation for aggrieved parties.

On June 27, 2006, the IDA announced the creation of this independent task force of prominent business leaders, securities lawyers, industry professionals and academics to recommend changes to Canadian securities legislation to achieve a dynamic, fair, efficient and competitive capital market. The Task Force was asked to undertake comprehensive and expert research, in Canada and internationally, to generate data and analysis to support informed and innovative reform of regulatory content, including issues related to investor protection, access to capital, enforcement, governance and regulatory burden. Its mandate did not include issues of regulatory structure.

The IDA’s objective in sponsoring the Task Force was to promote informed debate and dialogue and the Association encourages all participants in Canada’s capital markets to participate in constructive discussions about the Task Force recommendations and findings.

The Task Force report is available electronically at www.tfmsl.ca and in hard copy by request at info@tfmsl.ca. A demo of MERIT, the prototype of an innovative, world-leading system for disclosure, is also available on the website.
levels. Various tribunals and courts may hear offences and civil claims. In addition, we have differing provincial mediation and arbitration systems, as well as a national Ombudservice. Failure to ensure the free flow of information among these parties can result in regulatory gaps or duplication of scarce resources. In short, it can lead to ineffective enforcement.

Robert Frost memorably said: “Good fences make good neighbours” and he might be right about that. But they don’t always make for good partners. They don’t foster the trust and mutual respect that underlie successful efforts to attack economic crime. On the other hand, there are complexities that constrain the nature of the cooperation and flow of information, specifically when economic crime investigations straddle the borders between administrative and criminal enforcement.

Protection of the rights of an accused facing penal liability is well defined by the Charter. When the resources of the State are brought to bear on the individual, Courts will look closely at processes that affect liberty interests. The Courts have been clear that an administrative enforcement agency cannot share information with a criminal enforcement agency if the administrative investigation is merely a proxy for a criminal investigation. Where criminal proceedings rely on the evidence obtained in regulatory investigations, the manner in which that evidence was obtained will undergo Charter scrutiny. The ability of the IDA to share information with domestic and foreign securities and criminal law authorities rests therefore on the ‘predominate purpose’ of the investigation.

Although the authority of the IDA is not founded in statute, the Ontario Court of Appeal has held that its mandate is to protect investors and the public generally and that it is cloaked with a similar array of responsibilities as a statutory regulator. In addition, because our relationship with our Members is contractual, we can impose higher standards of conduct on our Members than is contained in the provincial securities legislation. It is not sufficient for our Members to simply obey the law; they must also “observe high standards of ethics in the transaction of their business, and not engage in conduct which is unbecoming or detrimental to the public interest.” The provincial securities commissions have recognized the IDA and rely on the IDA to enforce compliance with their rules and regulations.

The IDA collects information pursuant to a by-law (19.5) that requires Members and approved persons to provide information and documents for purposes of examination and investigation. Failure to cooperate with an internal investigation can result in disciplinary action. Furthermore, our by-laws (By Laws 16.8 and 16.9) authorize our Board to approve information sharing agreements between the IDA and other regulatory agencies. We have entered into a wide variety of such agreements with national and international regulatory and enforcement agencies. Recent MOUs allow for the secondment of an IDA enforcement staff member to the IMET Joint Securities Intelligence Unit, information sharing with FINTRAC regarding suspicious financial transactions or examination concerns at Member firms, and the transmittal to the AMF of ComSet Data on Member firms.

Our Members understand that the IDA may provide information it obtains related to securities trading to domestic or foreign supervisory organizations and agencies. Inter-agency committees are another effective way to share information - for example the Securities Enforcement Resource Committee (Ontario) and the Joint Securities Enforcement Resource Committee (Alberta). SERC and JSERC respectively are made up of representatives from the Ontario Attorney General, OSC, RCMP, OPP, Toronto Police, Alberta Justice, Alberta Securities Commission and Calgary Police.

The IDA is also looking at broader policy initiatives to better confront economic crime. We wrote to the Attorney General of Ontario recommending special courts for white collar crime to address the need for specialized judicial expertise and commitment. We also just wrote to the Federal Minister of Justice, Vic Toews, reiterating a letter sent to his predecessor the Honourable Irwin Cotler to address our relatively lenient parole system compared to other jurisdictions, especially the United States.

In closing, sophisticated economic crime, often conducted internationally, poses a threat to Canada’s capital markets. Collectively we share the responsibility for providing tough but fair enforcement. Breaking down barriers and sharing information is a key component in discharging that responsibility. There are Charter constraints, but with goodwill we can be effective. Canada’s SROs are committed to being helpful partners in that effort.

Excerpts from a speech delivered by IDA President and CEO Joe Oliver to the Joint Securities Intelligence Unit - 2006 Conference (September 25, 2006).
Proposed Amendments to Anti-Money Laundering and Counter-Terrorist Financing Legislation

On October 5, 2006, the Government introduced Bill C-25: An Act to amend the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, the Income Tax Act, and to make a consequential amendment to another Act.

The Anti-Money Laundering and the Institutional Issues Committees of the Compliance and Legal Section at the IDA have, over the past few months, had discussions with or provided written comments to the Department of Finance as it was developing the proposals. These consultations follow on prior comment letters by the IDA on anti-money laundering and counter-terrorist financing (AML/CFT) legislation and regulations as they have developed over the past 15 years.

The IDA’s comments have always been directed at improving the quality of Canada’s AML/CFT regime. In this regard, in 2003 the IDA passed requirements for the identification of the beneficial ownership of corporate and other entity accounts which have not yet been implemented in Canada’s AML/CFT requirements.

The latest proposals are designed to implement changes made in 2003 to the 40 Recommendations of the Financial Action Task Force (FATF), which set out the measures national governments should take to implement effective anti-money laundering programs, and the FATF 9 Special Recommendations on Countering Terrorist Financing. Canada assumed the Presidency of the FATF for its July 2006 to June 2007 year, and therefore played host to the FATF’s October Plenary Session in Vancouver from October 9 to 13.

Important details of the amendments will be included in regulations and are therefore unknown at the present time. However, Bill C-25 does contain elements that reinforce the IDA’s ongoing concern about the nature of Canada’s AML/CFT regime. That regime is highly prescriptive. The present regulations impose requirements that, in the IDA’s view as expressed in its various comments, differ unnecessarily from the requirements of other countries such as the United States and United Kingdom, putting Canadian financial institutions at a competitive disadvantage to their foreign counterparts without being any more effective in combating money laundering or terrorist financing.

For example, Bill C-25 proposes the addition of section 9.6, requiring financial institutions to develop policies and procedures to assess the risk of activities being used in money laundering or terrorist financing offences and, where that risk is high, to take “prescribed special measures for identifying clients, keeping records and monitoring financial transactions in respect of the activities that pose the high risk.”

While it is difficult to assess the full impact of these provisions without knowing the “prescribed special measures,” which will be included in the regulations, there are two noteworthy aspects to this provision. First, the special measures are to be prescribed. Second, there is no provision for permitting the tailoring of AML/CFT measures for activities assessed as low risk.

The continuation of an entirely prescriptive approach to AML/CFT regulations is unfortunate in that the FATF itself is engaged in a process to delineate a risk-based approach to AML/CFT measures. The IDA has been involved in this effort directly and through the Anti-Money Laundering Working Group of the International Council of Securities Associations (ICSA). In December 2005, the ICSA Working Group sent a delegation to a FATF meeting in Brussels, Belgium to discuss the risk-based approach. Thereafter, it contributed to a survey and report on the risk-based approach, conducted through a FATF Electronic Advisory Group (EAG) established to continue the work started in Brussels.

The EAG’s report was submitted to the FATF Plenary Session in Vancouver. It describes a consensus among financial institutions and the support of many governments and regulators for permitting financial institutions to assess the money laundering risk related to different customers, businesses, products, geographical areas and other factors and to apply AML/CFT measures proportionate to the risks in any given case.

Continued on page 9
District Council Updates

Pacific and Prairies Regions

The District Councils (Pacific, Alberta, Saskatchewan and Manitoba) have all been active after the summer break. The key challenges faced are adjusting to the spin off of trade association activities; understanding and preparing to comment on the Client Relationship Model; being briefed on the By-law 19 and 20 Reform project; and considering issues that relate to non-brokered private placements.

For more information, please contact:
Warren Funt
Vice-President, Western Canada
(604) 331-4750 or wfunt@ida.ca

Ontario District

Rule Book Re-Write

At the August 10, 2006 meeting, a presentation was made to the Council on the Rule Book re-write project. The project involves re-organizing, reformatting, rationalizing and rewriting the Rule Book in plain language. The objective is to make it easier for Member firms to understand and comply with its rules.

An industry committee has been formed with nominees from the Compliance and Legal Section and the Financial Administrators Section to provide feedback on the Rule Book structure and drafts.

Council members suggested that we establish a Members’ Only Website where by-law redrafts are posted for Members to review and comment. This is being implemented.

Incorporation of salespersons

At the September 12, 2006 meeting, the Council discussed the issue of incorporation of salespersons following a presentation on the issue by Paul Bourque (Senior Vice-President, Member Regulation).

Client Relationship Model

At the October 12, 2006 meeting, Richard Corner (Vice-President, Regulatory Policy) made a presentation to the Council on the proposed Client Relationship Model (formerly known as the Fair Dealing Model). Council members discussed issues arising out of the proposals. Council will consider how to best coordinate submissions of Council member comments to Regulatory Policy given the limited time available for comments.

Trading in Multiple Market Places

Karen Green of RS Inc. made a presentation to the Council on the issue of Trading in Multiple Market Places. Council members felt uncomfortable with the wording of a recent Notice from RS Inc. on the subject.

Appointments

The Ontario District Council approved the appointment of David Robart-Morgan (Chief Operating Officer, Executive Vice-President and Director of Union Securities Ltd.) to Council and Chris Salapoutis (Chief Operating Officer and Executive Vice-President of Orion Securities Limited) as the Council’s representative to the Financial Administrators Section.

For more information, please contact:
Maysar Al-Samadi
Vice-President, Professional Standards
(416) 943-6902 or malsamadi@ida.ca

Québec District

Québec District Council

Members of the Québec District Council held their first 2006-07 meeting on September 12, 2006. This year’s Council is comprised of:

- Luc Papineau (Chair), CIBC World Markets Inc.
- François Breton (Vice-Chair), RBC Dominion Securities Inc.
- Glenn S. Abbott, BMO Nesbitt Burns Ltd.
- Thomas Aiken, MacDougall, MacDougall & MacTier Inc.
- Frédéric Bélanger, Professionals’ Fund Private Wealth Management
- Jean-Marc Bougie, RBC Dominion Securities Inc.
- André Bourret, Scotia Capital Inc.
- François Demers, Demers Conseil inc.
- Hughes Dubeau, Dubeau Capital
- Denis Marc Gagnon, National Bank Financial Inc.
The goal of a risk-based approach is to allow financial institutions to focus their resources on the real AML/CFT risks. While placing no less heavy demands on financial institutions, regulators and law enforcement than the prescriptive approach, it promises better results through application of thought to the design and application of AML/CFT controls.

Even in a high risk situation, for example, the added measures taken might vary depending on the source of the risk. In some cases, extra due diligence on the customer might be in order, in others the measures might lean more towards increased monitoring of transactions. It is virtually impossible for prescribed measures to provide for the flexibility in response to specific risks that the risk-based approach would allow. In lower risk situations, financial institutions would be permitted to impose different controls. In some cases this might involve simplified customer due diligence measures, subject to minimum requirements, in others less transaction monitoring.

Another prescription provision in the proposed legislation is a new section 9.3 regarding “politically exposed persons,” commonly known as PEPs. The principal concern with PEPs is the possibility that their assets are the proceeds of corruption.

Applying only to foreign PEPs, the provision will require senior management approval for the opening of an account for a PEP and other prescribed measures, again to be delineated in the regulations.

The list of positions making an individual a PEP is extensive, from heads of state to judges, both past and present, and their “prescribed family member[s].” Depending on who is included as a prescribed family member, therefore, it is possible that the account of the son or daughter of a former United States or United Kingdom judge, living in Canada, would fall within the definition of a PEP and would be subject to the special approval and other measures included in the legislation. There appears to be no intention of varying these provisions depending on such factors as the level of corruption in the country involved, the importance of the PEP’s position or how recently the PEP occupied it. Nor is it likely that there were will be any variation in the extent of measures necessary to ascertain whether a person is a PEP with the type of account, activity or services at the financial institution. Such factors could be considered in a risk-based approach to the handling of PEP accounts.

The IDA recommends that Members review closely both the legislative proposals, available at http://www2.parl.gc.ca/HousePublications/Publication.aspx?DocId=2384496&Language=e&Mode=1&File=30 and any subsequent proposals to amend the regulations. The IDA will, through the CLS Anti-Money Laundering Committee, continue to comment on all proposed changes with a view to promoting improvements to Canada’s AML regime.

For more information, please contact:
Larry Boyce
Vice-President, Sales Compliance and Registration
(416) 943-6903 or lboyce@ida.ca
detailed submission was sent and a presentation is scheduled this fall. The submission is posted on the IDA website at http://www.ida.ca/IndIssues/Publications/PositionPapers_en.asp.

**IDA Consultation on By-laws 19 and 20**

On October 2, 2006, members of the Québec Regulation Sub-committee participated in a consultation on the modifications to By-laws 19 and 20 presented by Alex Popovic (Vice-President, Enforcement) and Nancy Mehrad (Legal & Policy Counsel, Regulatory Policy). The consultation provided participants the opportunity to express their views about the changes.

**Continuing Education**

The Continuing Education Committee of the IDA has put together seven breakfast seminars for the remainder of 2006 and 2007. Each seminar qualifies participants for two hours of Continuing Education credit as part of their Cycle 3 requirements. CE credits can be used for a maximum of 6 hours of Professional Development credit and a maximum of 8 hours of Compliance credit.

The next seminar is scheduled for November 16, 2006. Richard Corner (Vice-President, Regulatory Policy) will discuss the Client Relationship Model (formerly the Fair Dealing Model).

For more information, please visit the IDA website at www.ida.ca > Media, Events, Speeches > Québec Breakfast Seminars.

**Hearing Committee Members**

The Québec District Council approved the nomination of its Hearing Committee members. For the 2006-07 term, the Committee is comprised of seven public members and twenty one industry members. Pierre Michaud QC (Retired, Chief Justice of the Québec Appeal Court and now a lawyer at Ogilvy Renault LLP) will continue to act as Chair.

For more information, please contact: Claudyne Bienvenu Regional Director, Regulation (514) 392-3435 or CBienvenu@ida.ca

**Atlantic Region**

**New Brunswick District Council**

The New Brunswick District Council approved the nomination of its Hearing Committee members. For the 2006-07 term, the Committee is composed of three public members and nine industry members. Leonard T. (Len) Hoyt QC (McInnes Cooper) will continue to act as Chair.

**Nova Scotia District Council**

The Nova Scotia District Council approved the nomination of its Hearing Committee members. For the 2006-07 term, the Committee is composed of three public members and nine industry members. John D. Stringer QC (McInnes Cooper) will continue to act as Chair.

**Client Relationship Model**

At their October 4 meeting, Council heard a presentation on the Client Relationship Model by Richard Corner. Following the presentation, there was a question and answer period.

**Prince Edward Island District Council**

The Prince Edward Island District Council approved the nomination of its Hearing Committee members. For the 2006-07 term, the Committee is composed of two public members and five industry members. Rosemary Scott, QC (Stewart McKelvey Stirling Scales LLP) will continue to act as Chair.

**Newfoundland and Labrador District Council**

The Newfoundland and Labrador District Council approved the nomination of its Hearing Committee members. For the 2006-07 term, the Committee is composed of three public members and four industry members. David Eaton, QC (McInnes Cooper) will continue to act as Chair.

For more information, please contact: Claudyne Bienvenu Regional Director, Regulation (514) 392-3435 or CBienvenu@ida.ca
The Committees Report

Financial Administrators Section

2006 FAS Annual Conference
Approximately 150 people attended the 2006 FAS Annual Conference, held from September 21st through 24th in Scottsdale, Arizona. The conference attracted senior financial and operations decision-makers from IDA Member firms to discuss topics important to the securities industry. Reports from key industry institutions (CDS, Computershare, FundSERV, ADP Investor Communications), the CSA’s proposed National Instrument 24-101 relating to institutional trade matching, the IDA’s Client Relationship Model proposals, the CICA’s new measurement standard for financial assets and liabilities (Section 3855) and U.S. financial institution systems and financial markets trends were some of the items discussed during this year’s conference business sessions and FAS regular and annual meetings. The presentation slides have been posted to the FAS Annual Conference website at http://www.ida.ca/Media/FASConference/2006FASConference_en.asp.

Issues Under Current Consideration
Issues under current consideration at various FAS standing sub-committees include:

• The CSA proposal to facilitate more timely institutional trade matching - proposed National Instrument 24-101 on Institutional Trade Matching and Settlement.

• The implementation plan for the Equity Margin Project rule proposal which will replace the existing traded price per share based margin rate structure with a methodology that determines a listed security’s margin rate based on its measured market risk.

• The implementation plan for permitting the optional use of value at risk modeling in determining a Member firm’s capital requirement on its proprietary trading inventory.

• The treatment of various mutual fund transactions for tax and prospectus disclosure purposes.

2007 FAS Annual Conference
Montebello, Quebec, September 27th through 30th, 2007
Conference content and logistics planning has already started for the 2007 FAS Annual Conference, which will be held from September 27th through 30th, 2007 at the Fairmont Le Chateau Montebello. Anyone with conference agenda topic ideas should forward them to Richard Corner directly.

For more information on the issues listed above, the 2007 FAS Annual Conference, or the work of the section and its standing committees, please contact: Richard Corner Vice President, Regulatory Policy (416) 943-6908 or rcorner@ida.ca

Compliance and Legal Section

By-laws 19 & 20 Reform Project
The By-laws 19 & 20 Reform Project was initiated to review By-laws 19 and parts of By-law 20 in order to provide more organization, clarity and transparency to By-law 19, and to address outstanding and recent issues with By-law 20. IDA staff have met on several occasions to discuss the issues with the By-laws and have prepared draft concepts and proposals to address such issues.

Nancy Mehrad (Legal & Policy Counsel, Regulatory Policy) and Alex Popovic (Vice-President, Enforcement) are in the process of consulting with the IDA’s District Councils as well as Enforcement, Sales and Financial Compliance staff in Calgary, Montréal, Toronto and Vancouver. A CLS Sub-committee has also been struck (the “By-laws 19 & 20 Reform Project Sub-committee”), and their first meeting is scheduled for November 2006.

The IDA will be providing a review of the issues and proposals with By-laws 19 and 20 at the CLS Sub-committee meeting, scheduled for December 6, 2006.

Continued on page 18
Investor Education News

New CSA study reveals gaps in investor knowledge, attitude and behaviours.

According to a new study commissioned by the Canadian Securities Administrators (CSA), although Canadians understand the importance of being informed investors, they fall short when it comes to putting their knowledge into practice, making them more vulnerable to unsuitable or illegitimate investment opportunities.

One-in-three respondents surveyed report having been approached with a fraudulent investment opportunity. While many (86%) understand that suspicious investment opportunities should be reported, few (14%) actually do so. The survey also found that Canadians feel that investor education and banning rule-breakers should be high priorities for regulators.

The survey was administered to more than 5000 Canadians to help gauge investor knowledge and skills; understanding of and experience with fraud; and Canadians' awareness of their securities regulators and expectations for them.

To view the study in its entirety, visit the CSA’s website at http://www.csa-acvm.ca/home.html.

October is Investor Education Month

To mark Investor Education Month in October, the Ontario Securities Commission launched a campaign to educate investors about the critical details they should check before making an investment decision.

The Check Before You Invest campaign is designed to boost public awareness of free, objective investor education resources. Ontarians are encouraged to visit checkbeforeyouinvest.ca, an OSC website that brings together investment resources, including brochures, online tools and a public inquiries line.

IFIC launches online survey

The Investment Funds Institute of Canada (IFIC) has collaborated with the Canadian Investment Awards in the development of a survey which asks about respondents’ top three questions about investing and seeks input regarding educational products and services produced by an investment company that have been helpful to investors. The survey is available at: http://www.investmentawards.com/Survey/p_Survey.aspx.

Survey results will be shared with participants and will assist IFIC in the development of criteria for next year’s IFIC Investor Education Award.

BCSC Launches New InvestRight Program to Prevent Fraud

On the very same day as the CSA released its study, British Columbia Securities Commission Chair Doug Hyndman announced the launch of the Commission’s new InvestRight program, created to help protect investors from fraud and to give them the tools they need to ask the right questions before making investment decisions.

One of the key elements of the InvestRight program is its comprehensive website at www.InvestRight.org. The site provides a wide range of tools to help investors develop “critical thinking” skills. The site includes everything from background checks to information on investment products and videos in which victims impacted by fraud tell their personal stories.

Members’ Seminars

Members’ financial seminars were held in Toronto and Vancouver on September 6 and 15 respectively. The seminars were well attended and well received by delegates judging by the feedback we received in both locations. More than 150 attended in Toronto and over 40 in Vancouver.

The seminars covered a number of current industry issues including a regulatory update, a presentation on the client relationship model and another on dealing with a potential flu pandemic. A similar seminar is scheduled in Montréal for November 29 and 30, 2006.
New Members

The IDA welcomes its newest Member firms:

**TriAct Canada Marketplace LP**
*Effective October 25, 2006*

**Progressive Wealth Management**
*Effective August 21, 2006*

Recent Additions to the IDA Website (www.ida.ca)

- Task Force to Modernize Securities Legislation in Canada – Final Report
- MERIT Demo
  *As part of their recommendations, the Task Force has created a prototype interface for electronic disclosure called MERIT (Model for Effective Regulatory Information Transfer). To view a Flash based demonstration, visit: http://www.ida.ca/Meritdemo/demoindex.html#.*
- Issues in Fixed Income Market Regulation, Part II
  *A special feature from the IDA Report, by Paul Bourque.*
- Client Relationship Model (CRM) Consultation – Panel Presentation
  *The two hour broadcast seeking the input of IDA advisors on some of the Client Relationship Model (CRM) rule proposals. The IDA panel is made up of Ross Sherwood (President and CEO of Odlum Brown Ltd.), Paul Bourque (Senior Vice-President, Member Regulation), Richard Corner (Vice-President, Regulatory Policy) and Lisa Lake Langley (Vice-President, Member Services).*
Regulatory Update

Upcoming Rule Changes

Conflicts of Interest and Client Priority: Based on comments received from Member firms, the proposed By-law is under review and it is anticipated that additional amendments will be required.

Board of Directors, National Advisory Committee and Meetings: The objective of the amendments to By-laws 10.1 and 10.4 are to eliminate the mandatory requirement that at least two-thirds of the Board be comprised of industry directors and in turn facilitate an increase in the proportion of public directors. The amendments will also reduce the number of members needed to form a quorum of the Board from nine members to seven members. The proposed amendments were approved at the June 2005 Board and submitted to the securities commissions for approval. The amendments have been withdrawn and redrafted to set out that the Board of Directors must be comprised of an equal number of Public Directors and Industry Directors. The size of the Board has also been reduced from a maximum of twenty-six members to a maximum of twenty-one members. The proposed amendments were approved at the April 2006 Board and have been submitted to the securities commissions for approval.

Definition of Non-Retail Clients: The objective of the amendments to By-law 18.8 refers to the definition of an institutional customer contained in Policy No. 4 to ensure consistency. The proposed amendments were approved at the April 2006 Board and have been submitted to the securities commissions for approval.

Registered Representatives and Investment Representatives: The objective of the amendments seek to repeal By-law 18.14(d)(iii) as it is deemed unnecessary from a regulatory perspective. By-law 18.14 already contains adequate requirements to ensure that the dual employment of individuals does not present a conflict of interest and therefore, By-law 18.14(d)(iii) is redundant. Furthermore, since the TSX Venture Exchange has stated they do not plan to provide dual employment approvals in the future, By-law 18.14(d)(iii) in its current form has been made ineffective. The proposed amendments were approved at the April 2006 Board and have been submitted to the securities commissions for approval.

Discretionary Fund: The objective of the amendments to By-law 28.4 is designed to clarify certain anomalies or inconsistencies pertaining to the practical implementation of the By-law. The proposed amendments were approved at the October 2005 Board and have been submitted to the securities commissions for approval.

Business Structures: The objective of the amendments to By-law 39 is to permit the use of an additional business structure for relationships involving Members and their Approved Persons. In addition to the traditional employer and employee relationship and the principal and individual agent relationship that currently exists, the proposed revisions to By-law 39 would create a new subcategory of agent, the incorporated agent. Under this structure, the incorporated agent would be controlled by an Approved Person (as defined under the Association’s Rules), or Approved Persons, and will conduct Securities Related Activities on behalf of Members in the same way that employees or individual agents presently conduct Securities Related Activities. In order for the proposed changes to By-law 39 to be effective, changes to Canadian securities legislation would be required. The proposals were approved at the January 2006 Board and have been submitted to the securities commissions for approval.

New Methodology for Margining Equity Securities: The objective of the amendments to Regulation 100 and Form 1 are to accommodate the elimination of both the market price per share margining methodology and the list of securities eligible for reduced margin. Changes have also been proposed to the margin requirements for convertible debentures and convertible preferred shares to make the requirements more consistent with those for related debt and equity securities of the same issuer. The proposed amendments were approved at the October 2005 Board and approved by the securities commission on August 18, 2006. IDA staff are now in the process of finalizing the implementation program. Some of the amendments will be implemented shortly. Others will be subject to a longer implementation period.

Capital Requirements for Certain Private Placements of Restricted Securities: The objective of the proposed rule change to Regulation 100.5 is to amend the existing capital requirements for underwriting requirements to properly reflect the lower risk associated with private placements of four-month restricted securities during the underwriting distribution period. The proposed amendment was approved at the January
2006 Board and has been approved by the securities commissions on July 14, 2006. A bulletin will be issued shortly.

Over-The-Counter Options and the Definition of an Option: The objective of the amendments to Regulation 100.11 seek to repeal redundant sections and make the margin and capital requirements for OTC options consistent with those for exchange traded options, while retaining the current limitations on certain OTC option offsets. The amendment to the definition of “option” set out in Regulation 1900.1 seeks to update the names of the derivatives clearing corporations that issue and clear exchange traded options. The proposed amendments were approved at the June 2005 Board and have been submitted to the securities commissions for approval.

Optional Use of Value at Risk Modeling To Determine Capital Requirements for Member Firm Security Positions: The objective of the amendment to Regulation 100.12 is to grant those Member firms who maintain sophisticated and/or significant proprietary inventories the option of using a VaR modeling approach to determine their capital requirement, the by product of which will be capital requirements being provided by the Member firm which are more reflective of the overall market risk of the proprietary inventory. The proposed amendment was approved at the October 2005 Board and approved by the securities commissions on August 31, 2006. IDA staff are now in the process of finalizing the implementation program.

Requirement to Send Quarterly Statements to Clients: The objective of the amendments to Regulation 200.1(c) seeks to set the minimum number of customer mailings per year for all Member firms to four. Currently there are Member firms whose fiscal year-end does not fall on a calendar quarter-end. These firms, because of the requirement to send out statements on a calendar quarter-end basis and the requirement to send out fiscal year-end statements for external audit purposes, end up sending a minimum of five sets of statements each year to all their customers with money balances and/or securities. The proposed amendment was approved at the January 2004 Board and has been submitted to the securities commissions for approval.

Confirmations for Externally Managed Account Transactions: The objective of the amendments to Regulation 200.1(h) seek to relieve external portfolio managers from receiving unnecessary confirmations and providing Members with the option of instead providing clients with monthly statements enhanced to include all the items that normally appear on a confirmation. The proposed amendments were approved at the October 2005 Board and have been submitted to the securities commissions for approval.

Day Trading: Prior to the development of these proposals, there were no by-laws or regulations that addressed the unique issues that arise with respect to day trading. As there were a number of day trading promoting firms seeking membership in the Association and day trading is an extremely risky activity, the need for rules specific to the unique investor protection concerns relating to day trading was apparent. The proposed regulations delineate the duties of a Member firm with respect to:

- Ensuring that a day trading account is appropriate for a particular client before the opening of such an account.
- Warning clients of the risks associated with day trading.
- Protecting the client from financial loss through the implementation of strict leverage limits, in the form of margin requirements.

The initially proposed Regulation 2500 was approved at the June 2001 Board and additional comments were provided by the securities commissions. Subsequently, proposed Regulation 2500 – Day Trading, proposed Regulation 100.22 – Margin Requirements for Intra-Day Exposures and proposed Policy 10 – Margin Requirements for Certain Customer Accounts with Intra-Day Exposures, were approved at the October 2003 Board and have been submitted to the securities commissions for approval.

Proficiency Requirements for Futures Contract Portfolio Managers: The objective of the amendments to Policy No. 6, Part I is to add an education component to the proficiency requirements for futures contracts and associate futures contracts portfolio managers; remove the barrier to entry caused by the inter-linking of the current requirements; and make the experience requirements relate directly to relevant experience in trading in or advising on futures contracts. The proposed amendment was approved at the June 2005 Board and has been submitted to the securities commissions for approval.

Continued on the next page
Proficiency and Education: The objective of the amendments to Policy No. 6, Parts I and II are to recognize additional courses and exemptions without reducing the rigour of the existing proficiency requirements; eliminate outdated requirements and references; and add provisions for an exemption fee. The amendments also correct a number of terminological, syntactic and grammatical errors in the current policy and update cross-references to other By-laws and Regulations. The proposed amendments to Parts I and II of Policy No. 6 were approved at the June 2004 Board and have been submitted to the securities commissions for approval.

Calculation of a Securities Concentration Charge for Positions in Broad Based Index Securities – Form 1: The objective of the amendments to Schedule 9 of Form 1 seek to allow Member firms the option of treating positions in broad based index products in the same manner as the underlying basket of index securities for security concentration purposes. Schedule 9 of Form 1 requires disclosure of the largest ten issuer security positions that are being relied upon for loan value so that over exposure to an individual issuer and applicability of a concentration charge can be determined. In determining whether an exposure to a particular issuer is a concern, the combined inventory and customer account collateral “amount loaned” exposure is calculated and compared to the Member firm’s risk adjusted capital. Broad based listed index products have become popular vehicles and have the advantage of reducing both the issuer and sector risk that may be associated with individual security holdings. As a result, it is believed that broad based index securities warrant different treatment in determining whether they represent significant issuer risk to a Member firm. The proposed amendments to Schedule 9 of Form 1 have been approved at the June 2004 Board and have been submitted to the securities commissions for approval.

Capital Requirements Relating to Custodial Arrangements: The objective of the amendments to Form 1, Statements B & C seek to amend the current capital requirement for the situation where a custodian would otherwise qualify as an acceptable securities location, except for the fact that the Member firm has not entered into a written custodial agreement with the custodian. It is believed that these proposed revised capital requirements are more reflective of the risk of not having a custodial agreement in this situation, but that they still provide a sufficient incentive to the Member firm to execute the standard custodial agreement. The amendments were approved at the October 2002 Board and submitted to the securities commissions for approval.

Permit Foreign Pension Funds to be Classified as “Acceptable Institutions” and “Acceptable Counterparties” – Form 1: Current Association rules do not specifically recognize foreign pension funds as either “acceptable institutions” or “acceptable counterparties” for credit risk purposes. This results in most foreign pension funds being margined using the same approach used for retail customers. The proposed amendments will eliminate or significantly reduce the margin requirements that apply to foreign pension funds as they will now qualify as either acceptable institutions or acceptable counterparties. The reduction in margin requirements will provide Member firms with more capital efficient access to a group of foreign securities lending counterparties without negatively affecting the solvency of Member firms or their customers. The proposed amendments were approved at the January 2004 Board and submitted to the securities commissions for approval.

Auditors’ Report on Financial Statements: The objective of the amendments to Form 1 seeks to make a housekeeping amendment to the Part I Auditors’ Report in Form 1 by allowing a change to the current prescribed audit opinion to reflect new CICA Handbook Section 5600. It is proposed that the current Part I Auditors’ Report be repealed and replaced with the new requirements as set forth by the CICA. There are a total of four different versions of the new audit reports: standard, combined, combined and non-consolidated and non-consolidated. Within each of these four audit reports, there are three other sets of reports: standard, first year audit and new auditor, for a total of twelve variations of audit reports. The amendment was approved at the January 2005 Board and approved by the securities commissions on December 19, 2005. A bulletin will be issued shortly.

Auditors’ Report on Financial Statements - Part II: The objective of the amendment to Form 1 seeks to make a housekeeping amendment to the Part II Auditors’ Report in Form 1 by allowing a change to the current prescribed audit opinion to reflect new CICA Handbook Section 5600, as mandated by the CICA profession. It is proposed that the current Part II Auditors’ Report be repealed and replaced with the new requirements as set forth by the CICA. The amendment was approved at the January 2006 Board and approved by the securities commission on August 1, 2006. A bulletin will be issued shortly.

Continued on page 18
Enforcement Update

July 25, 2006 to October 23, 2006

Charles Kamal Dass (Bulletin 3569)

A Hearing Panel dismissed a motion brought forth by Mr. Dass for an order that the IDA did not have jurisdiction to proceed because he was no longer an Approved Person. The IDA’s position is that it continues to have jurisdiction over Mr. Dass, pursuant to By-law 20.7 which gives the IDA jurisdiction over former Approved Persons for five years from the date on which the registrant ceased to be an Approved Person. Mr. Dass resigned from the industry on July 21, 2004.

The Panel dismissed the motion on the grounds that because the IDA is an unincorporated entity which derives its existence from a contractual relationship with its Members and Approved Persons, it does not depend upon a statute for its existence and it does not have legal status to attorn to any statutory jurisdiction. The Panel also found that the effect of recognition as a self-regulatory organization by the British Columbia Securities Commission was not an act of attornment by the IDA. Further, Section 26 of the British Columbia Securities Act mandates that self-regulatory bodies like the IDA regulate the Members and Approved Persons in accordance with the By-laws, rules and other regulatory instruments of the self-regulatory body. Section 26 does not attempt to define or restrict what these by-laws or regulatory instruments should be.

The IDA’s request to re-open this matter in order to present the Panel with an argument that had just been heard by a Hearing Panel of the Ontario District Council was also dismissed. In making its decision, the Panel found that the public interest is better served by considering the element of fairness to Mr. Dass rather than the possibility of conflicting decisions facing the IDA.

Stephen Taub (Bulletin 3571)

A Hearing Panel dismissed a motion brought forth by Mr. Taub for an order that the IDA did not have jurisdiction to proceed with the allegations against him on the basis that he is no longer an Approved Person. The IDA’s position is that it continues to have jurisdiction over Mr. Taub, pursuant to By-law 20.7 which gives the IDA jurisdiction over former Approved Persons for five years from the date on which they cease to be Approved Persons. Mr. Taub ceased to be an Approved Person in September 2004 when he resigned from his IDA Member firm.

Mr. Taub relied on the concept of recognition as a link to the statutory jurisdiction of the Ontario Securities Act. Since Section 21.1(3) of the Act refers to Members rather than former Members, Mr. Taub submitted that the IDA would no longer have jurisdiction over him. The Hearing Panel dismissed this argument and Mr. Taub’s motion on the grounds that the IDA is not a statutory body which exercises a statutory power of decision, but rather an unincorporated entity which derives its authority from a contractual relationship with its Members and Approved Persons.

The Hearing Panel also found that the effect of recognition as a self-regulatory organization (SRO) by the Ontario Securities Commission does not confer jurisdiction on the IDA but merely imposes a duty on recognized SROs, like the IDA, to regulate the operations and the conduct of their Members. The Hearing Panel also determined that, as matter of contract, Mr. Taub should not be permitted to revoke his contractual agreement.

In addition to the motion brought by Mr. Taub, the Hearing Panel granted a preliminary motion brought by IDA Enforcement staff. Staff’s position was that the Hearing Panel did not have the jurisdiction to grant the relief requested by Mr. Taub on the basis that it could not refuse to apply By-law 20.7 (which confers jurisdiction over former Members and registrants). The Hearing Panel accepted IDA Enforcement staff’s submissions that a Hearing Panel is not a statutory body and any authority to refuse to apply its properly adopted by-laws could come only from those by-laws. The Hearing Panel concluded that there are no by-laws which expressly, or by implication, permit such refusal.

Continued on the next page
Two other motions brought by staff at the same time were adjourned. One motion was to compel Mr. Taub to deliver a Response to a Notice of Hearing and the other motion was to add Mr. Taub’s former registered assistant as a respondent in the proceedings. The Hearing Panel ordered that, subject to any appeal proceedings, the discipline hearing against Mr. Taub should continue at a time to be mutually agreed upon.

For more information, please contact:
Alex Popovic
Vice-President, Enforcement
(416) 943-6904 or apopovic@ida.ca

Complaint Handling Project: IDA Staff are reviewing the IDA’s compliant handling process, including the standards and timeframes for complaint handling at Member firms. The IDA expects to issue a notice regarding the IDA’s general expectations by the end of 2006.

For more information, please contact:
Richard Corner
Vice-President, Regulatory Policy
(416) 943-6908 or rcorner@ida.ca

Regulatory Update continued...

Guidelines For The Client Application Forms: The objective of the amendments to Form No. 2 seeks to replace it with guidelines that outline the type of information that should be obtained from clients when opening a new account. The guidelines will be tailored to each type of account since different requirements exist depending on whether a retail account, institutional account or an account that is exempt from the suitability requirement is being opened. The amendments were approved at the April 2006 Board and have been submitted to the securities commissions for approval.

Rules Under Development

By-laws 19 and 20: IDA staff are in the process of reviewing By-laws 19 and 20 in an attempt to improve the rules related to the Association’s hearing processes, compliance examinations and enforcement investigations. The IDA has initiated its nation-wide consultation process, and will be meeting with various district councils and IDA staff across the country. Staff is striking a new By-laws 19 & 20 CLS Sub-committee and will be meeting with the Sub-committee shortly.

Role of the Compliance Officer: The CLS Role of the Compliance Officer Sub-committee, which was formed to examine the understanding of standards, expectations, and ways to support the compliance function at Member firms, is finalizing a joint notice prepared by the SROs outlining the regulators’ expectations regarding the compliance function.

For more information, please contact:
Nancy N. Mehrad
Legal and Policy Counsel, Regulatory Policy
(416) 943-4656 or nmehrad@ida.ca
or
Leslie Pearson
Legal and Policy Counsel, Regulatory Policy
(416) 943-5878 or lpearson@ida.ca
or
Karen Danielson
Legal and Policy Counsel, Regulatory Policy
(416) 865-3047 or kdanielson@ida.ca

Compliance and Legal Section continued...

Client Relationship Model (formerly the Fair Dealing Model)
The continuing directive of the SRO Rule Making Committee is to create rules to realize the fundamental concepts outlined in the draft documents provided by the CSA’s working groups. The account opening / relationship disclosure and performance reporting policy documents were presented at the quarterly CLS and FAS meetings in September with a request for comments from Member firms. In addition, the IDA will consult with its District Councils and the National Advisory Committee on the policy documents. The Ontario Securities Commission presented its planned approach to the performance of a cost benefit analysis to the Committee in mid-October.

For more information, please contact:
Richard Corner
Vice-President, Regulatory Policy
(416) 943-6908 or rcorner@ida.ca
Investment Dealers Association of Canada

The Investment Dealers Association of Canada is the national self-regulatory organization of the securities industry. The IDA’s mission is to protect investors, foster market integrity and enhance the efficiency and competitiveness of the Canadian capital markets.

**Calgary**
Suite 2300
355 Fourth Avenue SW
Calgary AB T2P 0J1
Tel: (403) 262-6393
Fax: (403) 265-4603

**Toronto**
Suite 1600
121 King Street West
Toronto ON M5H 3T9
Tel: (416) 364-6133
Fax: (416) 364-0753

**Montréal**
Suite 2802
1 Place Ville Marie
Montréal QC H3B 4R4
Tel: (514) 878-2854
Fax: (514) 878-3860

**Vancouver**
Suite 1325
PO Box 11614
650 West Georgia Street
Vancouver BC V6B 4N9
Tel: (604) 683-6222
Fax: (604) 683-3491

**Website**
www.ida.ca

**Info/Complaints Line**
(877) 442-4322

Ce rapport est aussi disponible en français sur demande.