

**INVESTMENT INDUSTRY REGULATORY
ORGANIZATION OF CANADA
("IIROC")**

CODE OF CONDUCT FOR DIRECTORS

Purpose of Code of Conduct

The Board of Directors of IIROC is committed to the highest standards of honesty, integrity, ethics and business conduct. The Board believes that operating according to these standards is critical to protect the interests of IIROC and its stakeholders, including the general investing public. Accordingly, the Board adopts this Code of Conduct (the "**Code**") to reflect its commitment to these standards.

Applicability and Scope

The Code is applicable to all directors of IIROC. Directors who also serve as officers or employees of IIROC must also comply with the IIROC Code of Conduct for Officers and Employees. Although this Code provides standards of conduct for many situations, it does not cover all possible situations that may arise. Accordingly, all directors are expected to conduct themselves in a manner consistent with the spirit and letter of this Code and avoid even the appearance of improper behaviour. The text of this Code is written in the masculine gender to facilitate reading and understanding. Any reference to "he", "him", or "his" shall also mean "she", "her" or "hers", as appropriate.

Conflicts of Interest

A. In exercising his powers and in discharging his duties in accordance with the provisions of the *Canada Corporations Act* and the common law, every Director of IIROC shall:

- (a) act honestly and in good faith with a view to the best interests of IIROC;
- (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances;
- (c) exercise his director's powers for the purpose for which they were intended;
- (d) ensure that the director's personal interest and his duty to IIROC are not brought into conflict; and

- (e) ensure that the director does not obtain or receive, directly or indirectly, a personal profit, gain or benefit (other than fees paid to Independent Directors for so acting) as a result of his relationship with IIROC.

B. In discharging the general duty of undivided loyalty to IIROC, every director shall disclose to IIROC, in writing or by requesting to have it entered in the minutes of the meetings of directors or of meetings of committees of directors, the nature and extent of any interest that he has in a material contract or material transaction, whether entered into or proposed, with IIROC, if the director or an immediate family member:

- (a) is a party to the contract or transaction;
- (b) is a director or officer, or an individual acting in a similar capacity, of a party to the contract or transaction; or
- (c) otherwise has a material interest in a party to the contract or transaction.

The disclosure shall be made at the meeting at which the proposed contract or transaction is first considered. If the director was not interested at the time of the first meeting, he must declare his interest in a proposed contract or transaction at the first meeting he becomes so interested. If the director becomes interested after a contract or transaction is entered into, he must declare his interest in the contract or transaction at the first meeting he becomes so interested. If an individual who is interested in a contract or transaction later becomes a director, he must declare his interest in the contract or transaction at the first meeting he attends after becoming a director.

In addition, such director shall retire from the meeting, if required by the Board, while the discussion of the material contract or transaction or proposed material contract or transaction is taking place and shall refrain from voting on the subject under consideration, but this shall not prevent the Board from calling him into the meeting to answer any questions regarding the matter under discussion nor shall it release the director from his obligation to inform the Board of what he knows of the situation and of any concerns.

If a material contract or material transaction, whether entered into or proposed, is one that, in the ordinary course of IIROC's business, would not require approval by the directors or shareholders, a director shall disclose, in writing to IIROC or request to have it entered in the minutes of the meetings of directors or of meetings of committees of directors, the nature and extent of his interest immediately after he becomes aware of the contract or transaction.

It may, however, be impractical for a director or officer who serves as a director or officer of another entity or who has a material interest in another entity, to know that the entity is entering into a material contract or transaction with IIROC (and to give notice of such director's interest in every such material contract or transaction). A

general notice to the Board declaring that a director is to be regarded as interested in any contract or transaction entered into with a party will be a sufficient declaration of such director's interest in relation to any future contract or transaction entered into with such parties. A director shall disclose if there is a material change in the nature of his interest in the party.

C. If a Director:

- (a) is a director, officer or employee of any entity who is a party, or
- (b) employs a person who is a party, or
- (c) otherwise has any direct personal interest or indirect interest (as a result of the personal interests of a member of his family or an organization affiliated with him) in a party

to an investigation, disciplinary hearing or settlement or other proceeding involving IIROC, such Director (i) shall refrain from discussing such investigation, disciplinary hearing or settlement proceeding, at any Board meeting, (ii) must disclose to the Board such involvement in connection with any discussion of the investigation, disciplinary hearing or settlement proceeding at any Board meeting, and (iii) is prohibited from discussing the investigation, disciplinary hearing or settlement proceeding with the management of IIROC.

A director considering or discussing employment opportunities with a regulated entity is deemed to be affiliated with that regulated entity.

No director should accept a gift, benefit or entertainment from a regulated entity or vendor if the gift, benefit or entertainment is being offered, or might be perceived to be offered, to influence his actions as a director of IIROC. Directors should also be mindful that giving a gift, benefit or entertainment to entities or individuals may give rise to real or perceived conflict. This is especially so in the situation where such a gift, benefit or entertainment is of greater than nominal value.

Board Involvement in Disciplinary and Settlement Proceedings

The Board will not receive information pertaining to, and will not discuss, any specific disciplinary or settlement proceedings undertaken by IIROC (except as specified below), until the terms of any settlement or disposition of any disciplinary action have been made public by IIROC in accordance with the terms of its recognition orders.

For greater certainty, the SMT may present, and the Board may discuss, statistical information relating to current disciplinary and settlement proceedings for the

purposes of allocating resources and assessing operational performance. In addition, once the terms of any particular settlement or disposition of any particular disciplinary action have been made public by IIROC, the Board may discuss such matters, as it deems appropriate.

Confidentiality

Directors have a fiduciary duty to maintain the confidentiality of all confidential and proprietary information of IIROC and of those whom IIROC regulates or with whom IIROC does business. Unauthorized disclosure of confidential information can severely damage the reputations of IIROC and those to whom the confidential information relates. A director's duty of confidentiality continues even after the director no longer serves on the Board.

Confidential information includes all non-public information regarding the activities, investigations, enforcement actions and other affairs of IIROC. If in doubt about whether information is confidential, one should assume all information acquired in the course of his activities and duties as a Director is confidential unless otherwise stated or the director has consulted with IIROC's General Counsel.

Directors must not make unauthorized disclosure of confidential information or use it for purposes other than those for which it was disclosed except as required by law. It is also critical that no advantage is taken, or perceived to be taken, of any information that may exist within IIROC, or to which a Director may become a party as a result of his tenure on the Board. Without limiting the generality of the foregoing, Directors must take all reasonable steps to protect confidential information, including the following:

- (a) controlling access to confidential information;
- (b) discussing confidential information with others only in the necessary course of business, and in doing so, exercising due care;
- (c) not discussing confidential information in public places;
- (d) refraining from trading on the basis of confidential information;
- (e) keeping documents containing confidential information secure and taking steps to secure sensitive information when it is unattended;
- (f) safeguarding documents being taken away from IIROC's premises;
- (g) determining whether documents containing confidential information should be shredded or otherwise destroyed prior to disposal; and

- (h) not sharing confidential information about the affairs and activities of IIROC (for example, with any person that is or may be, seeking to provide products or services to IIROC, or is a party to an investigation or enforcement proceeding, or may have a material interest in a person that is a part to an investigation or enforcement proceeding).

Outside Activities and Appointments

Directors should disclose to the Chair and the CEO and, if necessary, discuss with IIROC's General Counsel any proposed activity or appointment which might interfere with, or appear to interfere with, their ability to exercise independent judgement in matters pertaining to IIROC.

Dealing with the Media

IIROC is committed to providing, as appropriate, full and prompt disclosure to the media of material developments and events as they relate to its activities. IIROC's policy is that all communication with the media is "On the Record". However, all media relations and inquiries are to be coordinated through the CEO. Directors should not comment on any inquiry from the media relating to the activities of IIROC (without prior discussion with the CEO) and should refer any inquiries to the CEO. In the unusual event where a Director is submitting an article or contributing to an article to the media related to the securities industry or the Canadian capital markets generally and identifies himself/herself in his/her capacity as an IIROC Director, the Director must provide IIROC with prior notice of such article. If the Director is submitting such article in his personal capacity or other capacity in the course of his/her other responsibilities, the Director should, in his/her discretion, endeavour to provide IIROC with notice of such article.

Compliance with Code and Accountability

All directors must become familiar with, and abide by, this Code and any interpretations and procedures issued hereunder. Directors shall report suspected violations of the Code or of any applicable law, rule or regulation by any director or employee to IIROC's General Counsel who, after inquiry, shall report to the CEO and/or Chair if she believes a violation may have occurred. Retaliation in any form against an individual who reports a suspected violation in good faith, even if the report is mistaken, or who assists in the investigation of a reported violation, is not permitted. Any act or threatened act of retaliation should be reported immediately to IIROC's General Counsel. In the event of a suspected violation of the Code, the Board, or an appropriate committee thereof, shall determine whether to conduct an investigation and what appropriate action should be taken in the event that the Board, or a Board committee, determines that a violation of the Code has occurred. Each director shall consult with IIROC's General Counsel if there is any doubt as to whether a particular transaction or a course of conduct complies with or is subject to this Code.