

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

**FINANCE AND AUDIT COMMITTEE CHARTER**

Mandate

The Finance and Audit Committee (the "**Committee**") is appointed by the Board of IIROC and charged with assisting the Board in its oversight of (a) the integrity of IIROC's accounting and financial reporting processes, (b) the qualifications, independence and performance of IIROC's independent auditor, and (c) IIROC's processes relating to its internal risk management and control systems.

Membership

The Committee shall consist of at least five directors, including a nominee of TSX (to the extent required pursuant to TSX's Regulation Services Agreement) and a majority of Independent Directors. Each member of the Committee will be financially literate, as such qualification is interpreted by the Board in its business judgement, or become financially literate within a reasonable time after appointment to the Committee. At least one member of the Committee will have accounting or related financial management expertise, as such qualification is interpreted by the Board in its business judgement.

Members of the Committee will be appointed by the Board for one year terms upon the recommendation of the Corporate Governance Committee. The Chair of the Committee will be elected by the members of the Committee and shall be an Independent Director.

Organization

The Committee will meet at least four times a year, or more frequently as it deems necessary to carry out its responsibilities. Meetings of the Committee may be called by the Chair or a majority of the members of the Committee. A majority of the Committee members will constitute a quorum and the act of a majority of the Committee members present at any meeting at which a quorum is present will be the act of the Committee.

Attendance by invitation at all or a portion of Committee meetings is determined by the Committee Chair or its members, and would normally include the Chief Executive Officer, the Senior Vice President, Finance and Administration, the Vice President, Finance and such other officers or support staff as may be deemed appropriate.

The Committee will meet privately in separate sessions with senior management, the independent auditor and the senior internal audit executive and

will meet without management present as necessary or appropriate. The Committee is authorized to request information from the CEO or any officer or employee of IIROC or its outside legal counsel or independent auditors or to request that any such persons attend a meeting of the Committee or meet with any members of, or advisors to, the Committee.

In discharging its responsibilities, the Committee will have the authority to obtain, at IIROC's expense, advice and assistance from internal resources and external advisors or professionals it deems appropriate.

The Committee has the authority to make recommendations to the Board, but does not have decision-making authority unless such authority is specifically provided by resolution of the Board.

The Committee will periodically report to the Board and will report each year with respect to the activities of the Committee in compliance with this charter. It will assess the adequacy of this charter annually and may propose changes to the Board for approval. On a biennial basis, the Committee will review its own performance and report the results to the Board.

#### Specific Responsibilities

The Committee's specific responsibilities include the following:

##### *Oversight of External Audit Activities*

- (1) Recommend to the Board the appointment of, oversee the work of, evaluate the qualifications, performance and independence of, and determine compensation for the independent external auditor. In evaluating the performance of the auditor, the Committee will evaluate the performance of the auditor's lead partner and will consider whether the provision of non-audit services is compatible with maintaining the auditor's independence. The Committee will present its conclusions with respect to the auditor to the Board.
- (2) Review and approval of the annual audit plan, including proposed audit scope, focus areas, timing, staffing and key decisions underlying the audit plan (i.e., materiality), as well as appropriateness and reasonableness of proposed audit fees.
- (3) Review significant communications from the auditor including material unadjusted items and the management letter to be issued.
- (4) Review the findings of the audit, including: an assessment of critical accounting policies and practices in use and the impact of any new reporting or accounting requirements; alternative accounting treatments of financial information within generally accepted accounting principles that have been discussed with management and the treatment preferred by the auditor; any material communications between the auditor and management (such as the management representation letter and statement of unadjusted differences).

- (5) Ensure that the underlying accounting policies, disclosure and key estimates are considered to be the most appropriate in the circumstances, within the range of acceptable alternatives.
- (6) Review with the auditor any problems or difficulties in auditing IIROC's financial statements and management's responses.
- (7) Facilitate open communications among the auditor, management, any internal audit function and the Board.

#### *Finance, Financial Reporting and Internal Controls*

- (1) Review the annual operating and capital budgets for submission to the Board for approval.
- (2) Review quarterly financial statements and any financial forecasts, including management reports and analysis of key performance indicators, for submission to the Board.
- (3) Meet to review and discuss with management and the auditor the Company's financial statements and review with them significant financial reporting issues and judgements made in connection with the preparation of such statements, including IIROC's critical accounting principles and any significant changes to those principles or their application, the effect of off-balance sheet structures on IIROC's financial statements, and material or non-financial arrangements that do not appear in IIROC's financial statements.
- (4) Periodically review IIROC's fee model to ensure that it continues to meet the requirements of the relevant Recognition Orders.
- (5) Periodically review the allocation of costs, to ensure that IIROC operates on a cost-recovery basis and that such costs are allocated equitably.

#### *Oversight of Risk Management and Internal Controls*

- (1) Periodically review the adequacy of internal controls and inquire on the practices and procedures of IIROC that enable management's reliance on internal control systems and report or make recommendations to the Board thereon.
- (2) Review with management and the independent auditor any major issues as to the adequacy of IIROC's internal controls, any special steps adopted in light of material control deficiencies and the adequacy of disclosures about internal controls over financial reporting.

- (3) Assess the adequacy of risk management policies and procedures of IIROC, including an assessment of the adequacy of insurance coverage.
- (4) Discuss IIROC's major financial and other significant risk exposures or deficiencies, and the steps management has taken or proposes to take to monitor and control or mitigate such exposures and deficiencies.
- (5) Periodically assess whether IIROC has implemented the appropriate risk management and internal control culture.
- (6) Review reports on any litigation matters that could materially affect the financial statements or operations of IIROC.

*Other Responsibilities*

- (1) Review procedures for the confidential receipt, retention and treatment of complaints or concerns regarding accounting or auditing matters or internal controls and for the protection from retaliation of those who report such complaints or raise such concerns in good faith.
- (2) Conduct or oversee, as appropriate, inquiries into any matter brought to its attention within the scope of its duties.