



Office of the
Attorney General

Bureau du
Procureur général



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F A C S I M I L E

TO: Robert P. Hutchison
Borden Ladner Gervais LLP
416-361-7082

FROM: Janice Callbeck
for Mark Gallant, Superintendent of Securities
PEI Securities Division
Office of the Attorney General
FAX: (902) 368-5283

DATE: May 28, 2008

RE: Recognition of Investment Regulatory Organization of Canada ("IIROC")
pursuant to the PEI *Securities Act* (the "Act")

Good afternoon,

Further to correspondence with attachments provided by Mark Gallant, Superintendent of Securities which were sent out yesterday, May 27, 2008, please note that previous attachments were not correct so we are asking you to destroy those and replace them with the attachments to this fax.

If you have any questions, please feel free to contact our office.

Thank you,

Janice Callbeck
PEI Securities Office

Enclosures



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**IN THE MATTER OF
THE SECURITIES ACT, R.S.P.E.I. S-3.1,
(the ACT)**

AND

**IN THE MATTER OF
INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA (IIROC)**

**RECOGNITION ORDER
(Section 72 of the Act)**

The Investment Dealers Association of Canada (the IDA) has been recognized by the Alberta Securities Commission, British Columbia Securities Commission, Manitoba Securities Commission, Nova Scotia Securities Commission, Ontario Securities Commission, Saskatchewan Financial Services Commission, the Financial Services Regulation Division, Department of Government Services, Consumer & Commercial Affairs Branch (Newfoundland and Labrador) and the Autorité des marchés financiers (Québec) (the Recognizing Regulators) The Investment Dealers Association has requested recognition from the New Brunswick Securities Commission and from the Superintendent (Prince Edward Island) to also be recognized as a self-regulatory organization or self-regulating body pursuant to applicable legislation.

Market Regulation Services Inc. (RS) has been recognized by the Autorité des marchés financiers (Québec) and the Alberta Securities Commission, British Columbia Securities Commission, Manitoba Securities Commission and Ontario Securities Commission as a self-regulatory organization or self-regulatory body pursuant to applicable securities legislation.

The IDA and RS have agreed to combine their operations into IIROC.

(For the purposes of this Recognition Order, the recognizing regulators, the New Brunswick Securities Commission and the Superintendent referenced herein shall be referenced as "Recognizing Regulatory Authority".)

IIROC will, among other things:

- a. regulate investment dealers, including alternative trading systems (ATSs) and futures commission merchants (Dealer Members);
- b. if retained by an ATS pursuant to National Instrument 23-101 *Trading Rules*, regulate the ATS as a Marketplace Member (defined below) and the subscribers of the ATS;
- c. establish, administer and monitor its rules, policies and other similar instruments (Rules);
- d. enforce compliance with its Rules by Dealer Members and others subject to its jurisdiction;
- e. provide services to exchanges and quotation and trade reporting systems (QTRSs) (together with ATSs, Marketplace Members) that choose to retain it as a regulation services provider, as that term is defined under National Instrument 21-101 *Marketplace Operation*;
- f. if retained by an exchange or QTRS, administer, monitor and/or enforce rules pursuant to a regulation services agreement between IIROC and that exchange or QTRS (RSA);
- g. conduct certain functions delegated to it by Recognizing Regulators, including registration functions; and
- h. perform investigation and enforcement functions on behalf of the IDA and RS for as long as each of the IDA and RS continues to be recognized by the provincial regulatory authority as a self-regulatory organization or a self-regulatory body.

On April 30, 2008, the Board of IIROC adopted the rules and policies of RS and the regulatory By-laws, Regulations, Forms and Policies of the IDA that were in force and effect at that time, subject to incidental conforming changes made to ensure consistency, and the Hearing Committees and Hearing Panels Rule as the Rules.

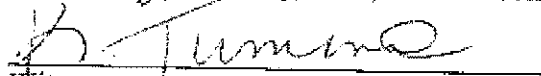
On April 30, 2008, the Board of IIROC adopted the market integrity notices issued by RS and all regulatory notices, bulletins, directives and guidance provided by the IDA that were in effect at that time.

IIROC has applied to the Superintendent and the other Recognizing Regulatory authorities for recognition as a self-regulatory organization pursuant to subsection 72 of the Act.

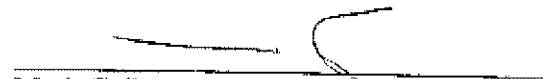
Based on the application filed on behalf of IIROC with the Recognizing Regulatory authorities with such changes as have been agreed to by the Recognizing Regulatory authorities, which includes the Rules, and subject to the representations and undertakings made by IIROC, the Superintendent is satisfied that recognizing IIROC would be in the public interest.

The Superintendent recognizes IIROC as a self-regulatory organization pursuant to Section 72 of the Act on the terms and conditions set out in the appendix to this recognition order and the applicable provisions of a Memorandum of Understanding between numerous Recognizing Regulatory authorities other than Prince Edward Island and attached as an appendix to this recognition order.

Dated this 27th of May, 2008, effective June 1, 2008.



Witness



Mark Gallant
Superintendent of Securities

APPENDIX A
TERMS AND CONDITIONS

1. Recognition Criteria

IIROC must continue to meet the criteria attached at Schedule 1.

2. Notice and/or Approval of Changes

- a. IIROC must promptly file in writing with recognizing regulatory staff any material change to the information set out in the application letter dated December 21, 2007.
- b. Prior recognizing regulatory authority approval is required for any changes to the following:
 - (i) the corporate governance structure of IIROC, as reflected in IIROC's By-law No. 1 (By-law No. 1);
 - (ii) letters patent of IIROC, and any supplementary letters patent; and
 - (iii) the assignment, transfer, delegation or sub-contracting of the performance of all or a substantial part of its regulatory functions or responsibilities as a self-regulatory organization.
- c. Prior recognizing regulatory authority approval is required for material changes to the following:
 - (i) the fee model;
 - (ii) the functions IIROC performs;
 - (iii) IIROC's organizational structure;
 - (iv) the activities, responsibilities, and authority of the District Councils; and
 - (v) the Regulation Services Agreement between IIROC and any Marketplace Member.
- d. IIROC must not, without providing the recognizing regulatory authority at least twelve months prior written notice and complying with any terms and conditions the authority may impose in the public interest, complete any transaction that would result in IIROC:

- (i) ceasing to perform its services;
 - (ii) discontinuing, suspending or winding-up all or a significant portion of its operations; or
 - (iii) disposing of all or substantially all of its assets.
- e. IIROC will:
 - (i) provide the Recognizing Regulatory Authority with three months prior written notice of any intended material change to its agreement with an information technology service provider regarding its critical technology systems; and
 - (ii) not terminate its agreement with an information technology service provider providing critical technology systems without providing the Recognizing Regulatory Authority prior written notice and complying with any terms and conditions the Recognizing Regulatory Authority may impose in the public interest.
- f. IIROC will comply with the process for filing and obtaining Recognized Regulatory Authority approval for by-laws, Rules and any amendments to by-laws or Rules as outlined in Appendix A of the MOU, as amended from time to time.
- g. IIROC must advise the Recognizing Regulatory Authority in writing immediately upon being notified by any of the Recognizing Regulators that IIROC is not in compliance with one or more of the terms and conditions of recognition of IIROC in any jurisdiction or with the reporting requirements set out in the MOU.

3. Governance

- a. IIROC must:
 - (i) ensure that at least 50% of its board of directors (Board), other than the President of IIROC, are independent directors as defined in By-law No. 1;
 - (ii) ensure that one of the directors represents an exchange or ATS that is not affiliated with a marketplace
 - (A) that retains IIROC, and
 - (B) has at least a 40% Market Share as defined in By-law No. 1 (Market Share); and

- (iii) review the corporate governance structure, including the composition of the Board,
 - (A) within two years after the date of recognition and periodically thereafter, or
 - (B) at the request of the Recognizing Regulatory Authority,

to ensure that there is a proper balance between, and effective representation of, the public interest and the interests of marketplaces, dealers and other entities desiring access to the services provided by IIROC.

- b. IIROC must report to Recognizing Regulatory staff in writing the results of the corporate governance review referred to in subparagraph (a)(iii) upon completion.
- c. The Code of Business Ethics and Conduct and the written policy about managing potential conflicts of interests of members of IIROC's Board must be filed with the Recognizing Regulatory Authority within one year after the date of this Recognition Order.

4. Fees

- a. IIROC must develop an integrated fee model and submit it for approval with the Recognizing Regulatory Authority within two years of the date of the recognition order.
- b. IIROC must report in writing on a quarterly basis for the first two years of operations on the status of the development of the fee model.

5. Due Process

Subject to applicable law and the Rules and by-laws of IIROC, before rendering a decision that affects the rights of a person or company in relation to membership, registration or enforcement matters, IIROC must provide that person or company an opportunity to be heard.

6. Financial Viability

- a. IIROC must operate on a not-for-profit basis.
- b. IIROC will immediately report to Recognizing Regulatory staff if it cannot meet

its expected expenses for the next quarter. In addition, IIROC must provide Recognizing Regulatory staff with an action plan detailing the steps to be taken to remedy its financial condition.

7. Integration of Functions

- a. IIROC must report in writing within six months of the date of the recognition order its plan and timelines for the integration of functions relating to policy, surveillance, compliance, investigations, enforcement and membership.
- b. IIROC must report in writing on a quarterly basis for the first two years of operations on the status of the integration of its functions.

8. Performance of Regulatory Functions

- a. IIROC must set Rules governing its members and others subject to its jurisdiction.
- b. IIROC must administer and monitor compliance with the Rules and securities laws by members and others subject to its jurisdiction and enforce compliance with the Rules by Dealer Members, including ATSSs, and others subject to its jurisdiction. In addition, IIROC will provide notice to the Recognizing Regulatory Authority of any violations of securities legislation of which it becomes aware.
- c. If retained by an exchange or QTRS, IIROC must administer, monitor and/or enforce rules pursuant to an RSA.
- d. IIROC must, subject to applicable legislation, collect, use and disclose personal information only to the extent reasonably necessary to carry out its regulatory activities and mandate.
- e. IIROC must ensure that it is accessible for contact by the public for purposes relating to the performance of its functions as a self-regulatory organization/body.
- f. IIROC must publish concurrently in English and French each document issued to the public at large or generally to any class of members and must provide the document to Recognizing Regulatory staff immediately upon publication.
- g. IIROC must adopt policies and procedures designed to ensure that confidential information about its operations or those of any Dealer Member, Marketplace Member or marketplace participant is maintained in confidence and not shared inappropriately with other persons, and must use all reasonable efforts to comply with these policies and procedures.

9. Use of Fines and Settlements

All fines collected by IIROC and all payments made under settlement agreements entered into with IIROC may be used only as follows:

- a. as approved by the Corporate Governance Committee,
 - (i) for the development of systems or other non-recurring capital expenditures that are necessary to address emerging regulatory issues resulting from changing market conditions and are directly related to protecting investors and the integrity of the capital markets;
 - (ii) for the education of securities market participants and members of the public about or research into investing, financial matters or the operation or regulation of securities markets;
 - (iii) to contribute to a non-profit, tax-exempt organization, the purposes of which include protection of investors, or those described in paragraph (a)(ii); or
- b. for reasonable costs associated with the administration of IIROC's hearing panels.

10. Disciplinary Matters

- a. Subject to paragraph (b), IIROC must
 - (i) promptly notify the Recognizing Regulatory Authority, the public and the news media of:
 - (A) the specifics relating to each disciplinary or settlement hearing once the hearing date is set, and
 - (B) the terms of each settlement and the disposition of each disciplinary action once the terms or disposition is determined; and
 - (ii) ensure that disciplinary and settlement hearings are open to the public and news media.
- b. Despite paragraph (a), IIROC may, on its own initiative or on request, order a closed-door hearing or prohibit the publication or release of information or documents if it determines that it is required for the protection of confidential matters. IIROC must establish written criteria for making a determination of confidentiality.

11. Capacity and Integrity of Systems

- a. IIROC must
 - (i) ensure that each of IIROC's critical systems, including its technology systems, has
 - (A) appropriate internal controls to ensure integrity and security of information; and
 - (B) has reasonable and sufficient capacity, and backup to enable IIROC to properly carry on its business; and
 - (ii) have controls to manage the risks associated with its operations, including an annual review of its contingency and business continuity plans.
- b. IIROC must promptly report to the Commission:
 - (i) any material failures in the controls described in paragraphs (a)(i) and (ii) above; and
 - (ii) any outage in IIROC's critical technology systems or backup systems, and provide a description of the actions taken or to be taken to rectify the situation.
- c. IIROC will on a reasonably frequent basis, and in any event, at least annually:
 - (i) make reasonable current and future capacity estimates for its critical systems;
 - (ii) conduct capacity stress tests to determine the ability of its critical systems to perform its regulation functions in an accurate, timely and efficient manner;
 - (iii) review and keep current the development and testing methodology of those systems; and
 - (iv) review the vulnerability of those systems to internal and external threats including physical hazards and natural disasters.
- d. IIROC must cause to be performed an independent review, in accordance with established audit procedures and standards, of its controls for ensuring that it is in compliance with paragraph (c) above, and conduct a review by its Board of the report containing the recommendations and conclusions of the independent review. This term and condition will not apply if:
 - (i) the information technology provider retained by IIROC is required, either

by law or otherwise, to conduct an annual independent review; and

- (ii) IIROC's Board obtains and reviews annually a copy of the independent review report of its information technology provider to ensure that it has controls in place to address the matters outlined in paragraph (c) above.
- e. Upon completion of the Board review, IIROC must provide the Recognizing Regulatory Authority with a copy of the report prepared under paragraph (d).
- f. IIROC shall periodically benchmark surveillance systems and services provided by its information technology providers against comparable systems and services available from other third party technology providers and provide the Recognizing Regulatory Authority with a report summarizing the process undertaken and the conclusions reached.

12. Ongoing Reporting Requirements

- a. IIROC must provide the Recognizing Regulatory Authority with all information required in Schedule 2 of this Recognition Order.
- b. IIROC must provide Recognizing Regulatory staff within 30 days of the commencement of each fiscal year with a copy of its financial budget for that year, together with the underlying assumptions, that has been approved by its Board.
- c. IIROC must file annual audited financial statements with Recognizing Regulatory staff, accompanied by the report of an independent auditor, within 90 days after the end of each fiscal year.
- d. IIROC must file with Recognizing Regulatory staff quarterly financial statements for each of the first three financial quarters within 60 days after the end of each financial quarter.
- e. IIROC must file its annual report with Recognizing Regulatory staff upon completion.
- f. IIROC must annually self-assess IIROC's performance of its regulatory responsibilities and report thereon to the Board and the Recognizing Regulatory staff, together with any recommendations for improvements. The annual self-assessment must contain information as specified by Recognizing Regulatory staff from time to time and include the following information:
 - (i) an assessment of how IIROC is meeting its regulatory mandate, including an assessment against the recognition criteria and the terms and conditions of the Recognition Order;
 - (ii) an assessment against its strategic plan;
 - (iii) a description of trends seen as a result of compliance reviews conducted and complaints received and IIROC's plan to deal with any issues;
 - (iv) whether IIROC is meeting its benchmarks and if not, why not; and
 - (v) a description and update on significant projects undertaken by IIROC.

IIROC must file the self-assessment with the Recognizing Regulatory Authority within 90 days of its fiscal year-end.

- g. IIROC must give the Recognizing Regulatory staff notice as soon as practicable of new directors.

- h. IROC must provide to the Recognizing Regulatory Authority, in addition to the information specifically required in this Recognition Order and the MOU, any information the Recognizing Regulatory Authority may reasonably require from time to time.

SCHEDULE 1**CRITERIA FOR RECOGNITION****1. Governance**

- a. The governance structure and arrangements must ensure:
- (i) effective oversight of the entity;
 - (ii) fair, meaningful and diverse representation on the governing body (Board) and any committees of the Board, including a reasonable proportion of independent directors;
 - (iii) a proper balance among the interests of the different persons or companies subject to regulation by IROC; and
 - (iv) each director or officer is a fit and proper person.

2. Public Interest

IROC must regulate to serve the public interest in protecting investors and market integrity. It must articulate and ensure it meets a clear public interest mandate for its regulatory functions.

3. Conflicts of interest

IROC must effectively identify and manage conflicts of interest.

4. Fees

- a. All fees imposed by IROC must be equitably allocated. Fees must not have the effect of creating unreasonable barriers to access.
- b. The process for setting fees must be fair and transparent.
- c. IROC must operate on a cost-recovery basis.

5. Access

- a. IROC must have reasonable written criteria that permit all persons or companies that satisfy the criteria to access IROC's regulatory services.

- b. The access criteria and the process for obtaining access should be fair and transparent.

6. Financial Viability

IIROC must have sufficient financial resources for the proper performance of its functions and to meet its responsibilities.

7. Capacity to Perform Regulatory Functions

- a. IIROC must maintain its capacity to effectively and efficiently perform its regulatory functions, which include governing the conduct of persons or companies subject to its regulation and monitoring and enforcing applicable requirements.
- b. IIROC must maintain in each jurisdiction where it has an office
 - (i) sufficient financial, technological, human and other resources; and
 - (ii) appropriate organizational structures and adequate technological systems to efficiently, effectively and in a timely manner perform its regulatory functions and responsibilities.

8. Capacity and Integrity of Systems

IIROC must maintain controls to ensure capacity, integrity requirements and security of its technology systems.

9. Rules

- a. IIROC must establish and maintain Rules that:
 - (i) are necessary or appropriate to govern and regulate all aspects of its functions and responsibilities as a self-regulatory entity;
 - (ii) are designed to:
 - (A) ensure compliance with securities laws,
 - (B) prevent fraudulent and manipulative acts and practices,
 - (C) promote just and equitable principles of trade and the duty to act

fairly, honestly and in good faith,

- (D) foster cooperation and coordination with entities engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in, securities,
 - (E) foster fair, equitable and ethical business standards and practices,
 - (F) promote the protection of investors, and
 - (G) provide for appropriate discipline of those whose conduct it regulates;
- (iii) do not impose any burden or constraint on competition or innovation that is not necessary or appropriate in furtherance of IIROC's regulatory objectives;
 - (iv) do not impose costs or restrictions on the activities of market participants that are disproportionate to the goals of the regulatory objectives sought to be realized; and
 - (v) are not contrary to the public interest.

10. Disciplinary Matters

The process for discipline must be fair and transparent.

11. Information Sharing and Regulatory Cooperation

To assist other regulatory authorities in regulatory matters, IIROC must share information and cooperate with:

- (a) the PEI Securities Office and any other securities regulatory authorities, whether domestic or foreign;
- (b) exchanges;
- (c) self-regulatory organizations;
- (d) clearing agencies;
- (e) financial intelligence or law enforcement agencies or authorities; and
- (f) investor protection or compensation funds, whether domestic or foreign.

This assistance includes the collection and sharing of information and other forms of assistance for the purpose of market surveillance, investigations, enforcement litigation, investor protection and compensation and for any other regulatory purpose and is subject to applicable laws related to information sharing and protection of personal information.

12. Other Criteria – Québec

Constituting documents, by-laws and operating rules of IIROC should allow that the power to make decisions relating to the supervision of its activities in Québec will be exercised mainly by persons residing in Québec.

SCHEDULE 2

REPORTING REQUIREMENTS

IIROC will provide the information and reports outlined in this Schedule to the Recognizing Regulatory Authority of all jurisdictions in which a Member that is the subject of a report or notification is registered, unless otherwise specified.

1. General

- a. Prompt notice of any material violations of securities legislation of which IIROC becomes aware in the ordinary course operation of its business.
- b. Prompt notice of actual or apparent misconduct or non-compliance by Members and their Approved Persons or Participants and others where investors, clients, creditors, Members, the Canadian Investor Protection Fund (CIPF) or IIROC may reasonably be expected to suffer serious damage as a consequence thereof, including but not limited to:
 - (i) where the solvency of a Member is at risk,
 - (ii) where fraud is present, or
 - (iii) where serious deficiencies in supervision or internal controls exist.

IIROC will include the party's name, the misconduct or deficiency, and its proposed response to ensure that the situations are resolved.

2. Financial Compliance

- a. Prompt notification of situations that would reasonably be expected to raise concerns about a Member's continued viability, including but not limited to, capital deficiency and any condition which, in the opinion of IIROC, could give rise to payments being made out of CIPF, including any condition which, alone or together with other conditions, could, if appropriate corrective action is not taken, reasonably be expected to:
 - (i) inhibit the Member from promptly completing securities transactions, promptly segregating clients' securities as required or promptly discharging its responsibilities to clients, other Members or creditors,
 - (ii) result in material financial loss to the Member and its clients, or
 - (iii) result in material misstatement of the Member's financial statements.

IROC will include the Member's name, the circumstances that gave rise to the situation, and its proposed response to ensure the identified situations are resolved.

- b. Prompt notice following the taking of any action with respect to a Member in financial difficulty, including a description of the circumstances of the failure or the cause of the financial difficulty, and a summary of the actions taken.
- c. At the beginning of each calendar year, an examination plan summarizing the scheduled financial compliance examinations for the upcoming year, set out on a quarterly basis and by IROC office. The examination plan should explain the selection method used in determining the Members that are subject to an examination.
- d. On a quarterly basis, notification of any material changes to Financial Compliance's processes or scope of its work, including material changes to its risk assessment model. Such notification may be provided verbally at the quarterly conference calls of staff of IROC and the Recognizing Regulators.

3. Business Conduct Compliance

- a. At the beginning of each calendar year, an examination plan summarizing the scheduled business conduct compliance examinations for the upcoming year, set out on a quarterly basis. The examination plan should explain the selection method used in determining the Member's office(s) that are subject to an examination and the resources that will be dedicated to reviews of branch offices. The examination plan should also include for head office examinations the name of the Dealer Member and the address, and for branch office examinations that IROC reasonably expects to complete the name of the Dealer Member and the address.
- b. On a quarterly basis, a comparison of IROC's Dealer Member business conduct compliance examination results to the examination plan by IROC office. This comparison will include an explanation of any variances of actual results compared to the examination plan, and an action plan to ensure that the variances are resolved.
- c. On a quarterly basis, a progress report on all examinations that were in progress as of or started since the last report by each IROC office. This report will include:
 - (i) the name of the Dealer Member,
 - (ii) whether the examination involved a head office or branch,
 - (iii) the start and expected completion dates of the field work,
 - (iv) the status of the examination,

- (v) whether a report has been issued and, if so, the issue date,
 - (vi) a summary of the material deficiencies noted during the examination,
 - (vii) identification of any repeated deficiencies, and
 - (viii) the follow up actions planned by IIROC to ensure that the identified problems will be resolved.
- d. On a quarterly basis, notification of any material changes to Business Conduct Compliance's processes or scope of its work, including material changes to its risk assessment model. Such notification may be provided verbally at the quarterly conference calls of staff of IIROC and the Recognizing Regulatory Authorities.

4. Trade Desk Review

- a. At the beginning of each calendar year, a plan summarizing the scheduled trade desk reviews for the upcoming year, set out on a quarterly basis, including the name of the Dealer Member. The plan should explain the selection method used in determining the Members that are subject to a trade desk review.
- b. On a quarterly basis, a comparison of IIROC's trade desk review results to the plan by IIROC office. This comparison will include an explanation of any variances of actual results compared to the plan, and an action plan to ensure that the variances are resolved.
- c. On a quarterly basis, a progress report on all trade desk reviews that were in progress as of or started since the last report by each IIROC office. This report will include:
- (i) the name of the Dealer Member,
 - (ii) the start and expected completion dates of the field work,
 - (iii) the status of the review,
 - (iv) whether a report has been issued and, if so, the issue date,
 - (v) a summary of the material deficiencies noted during the review,
 - (vi) identification of any repeated deficiencies, and
 - (vii) the follow up actions planned by IIROC to ensure that the identified problems will be resolved.
- d. On a quarterly basis, notification of any material changes to trade desk review

processes or scope. Such notification may be provided orally at the quarterly conference calls of staff of IIROC and the Recognizing Regulatory Authorities.

5. Membership

- a. Immediate notice of the admission of a new Member. In each case, IIROC will include the Member's name and any terms and conditions that are imposed on the Member.
- b. Immediate notice of Members whose membership will be suspended or terminated. In each case, IIROC will include:
 - (i) The Member's name, and
 - (ii) The reasons for the proposed suspension or termination.
- c. Immediate notice of receipt from a Member its intention to resign.
- d. The notice required by this section may be provided by IIROC issuing a public notice containing the information, provided that such public notice will be issued immediately after the decision is made for admission, suspension and termination of membership and immediately after receipt of a notice of intention to resign, as the case maybe.

6. Registration

- a. A quarterly report summarizing any terms and conditions imposed on Approved Persons, containing:
 - (i) the name of the Dealer Member and Approved Person on whom the terms and conditions were imposed,
 - (ii) the date terms and conditions were imposed,
 - (iii) the terms and conditions, and
 - (iv) a description of the reasons for the decision to impose terms and conditions.
- b. A quarterly report summarizing all exemptions granted to individuals for proficiency requirements and full-time employment requirements under IIROC Rules and applicable securities legislation, and the reasons for granting the exemptions. This report should not include non-discretionary exemptions set out in IIROC Rules that were previously approved by the Recognizing Regulators.

7. Marketplace Regulation Exemptions

A quarterly report summarizing all exemptions granted during the period to marketplace participants pursuant to IROC's Marketplace Regulation Rules, containing the information set out below:

- a. the name of the marketplace participant,
- b. type of exemption,
- c. date of the exemption, and
- d. a description of IROC staff's reason for the decision to approve the exemption.

8. Investigations and Enforcement

a. *Ad Hoc Reporting*

- (i) Information concerning all investigations which led to disciplinary or settlement proceedings, to be sent promptly after the disposition of the disciplinary or settlement proceedings and containing the following information:

- (A) any discipline imposed,
- (B) the terms of any settlement proposal accepted, and
- (C) any written decisions and reasons;

b. *Monthly Reporting*

- (i) A summary of all new investigations by IROC offices, which will:
 - (A) indicate the date an investigation started,
 - (B) indicate whether the investigation concerns primarily Member Regulation matters, Marketplace Regulation matters or has significant elements of both,
 - (C) include name of the complainant for complaints that resulted in investigations,
 - (D) indicate whether the file was referred by another department of IROC and the name of the department,
 - (E) identify:

- a. for Member Regulation cases, the Dealer Member and relevant Approved Person(s), or
 - b. for Marketplace Regulation cases, the marketplace participant,
- (F) summarize the misconduct alleged, and highlight any securities act violations of which IIROC becomes aware in the course of the investigation, and
- (G) identify the name(s) of IIROC staff assigned to the investigation.
- (ii) A summary of all closed investigations which did not lead to disciplinary or settlement proceedings by IIROC offices, which will:
 - (A) indicate the dates an investigation was started and closed,
 - (B) include detailed information concerning the investigation,
 - (C) identify:
 - a. for Member Regulation cases, the Dealer Member and relevant Approved Person(s), or
 - b. for Marketplace Regulation cases, the marketplace participant, and
 - (D) include a copy of the final investigation report and recommendations.
- c. *Quarterly Reporting*
 - (i) A quarterly report summarizing client complaints based upon ComSet data, including:
 - (A) a graphical report setting out the number of open client complaints and the relative age of the client complaints as of each quarter and on an annual basis, and
 - (B) the relative age of closed client complaints, closed in the quarter and on an annualized basis.
 - (ii) Summary statistics by IIROC offices regarding the current caseload for each of complaints, investigations and prosecutions, separated between Member and Marketplace Regulation cases and within Marketplace Regulation cases, separately for each exchange, quotation and trade reporting system and alternative trading system, including:

- (A) the number of files outstanding at the beginning and at the end of the period, by operating department,
 - (B) the number of new files opened during the period, by operating department,
 - (C) the number of files transferred between sections during the period, by operating department, and
 - (D) the number of files referred and closed during the period.
- (iii) An ageing report by IROC offices as at quarter end for files that remain open at the end of the quarter, which identifies the length of time a file has been open in each operating department.
- d. *Annual Reporting*
- (i) A summary of all complaints and the disposition thereof, together with an analysis of any emerging problems or trends;
 - (ii) A summary of all investigations and the disposition thereof, together with an analysis of any emerging problems or trends;
 - (iii) A summary of all prosecutions and the disposition thereof, together with an analysis of any emerging problems or trends;
 - (iv) an analysis of market surveillance files that includes a discussion of any emerging problems or trends;
 - (v) enforcement-related policy changes;
 - (vi) enforcement-related functional and administrative changes; and
 - (vii) ongoing initiatives which are enforcement-related, but not case specific.

APPENDIX B

**Memorandum of Understanding Regarding Oversight of Investment Industry
Regulatory Organization of Canada Among:**

**British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Newfoundland and Labrador, Securities Division, Department of Government
Services and Lands
Nova Scotia Securities Commission
New Brunswick Securities Commission**

(each a Recognizing Regulator, collectively Parties)

The Parties agree as follows:

1. Underlying Principles

a. Recognition

Investment Industry Regulatory Organization of Canada (IIROC) is recognized as a self-regulatory organization under applicable legislation by each of the Recognizing Regulators and is a regulation services provider pursuant to National Instrument 23-101 *Trading Rules*.

b. Oversight Program

To ensure effective oversight of IIROC's performance of its self-regulatory activities and regulation services, the Parties to this Memorandum of Understanding (MOU) have developed an oversight program (the Oversight Program) which includes:

- (i) reviewing information filed by IIROC, as set out in section 4;
- (ii) reviewing and approving new and amended rules, policies and other similar instruments (Rules) and by-laws of IIROC, as set out in Appendix "A"; and
- (iii) performing periodic reviews of IIROC's self-regulatory activities and regulation services.

The purpose of the Oversight Program is to ensure that IIROC is acting in accordance with its public interest mandate, specifically by complying with its terms and conditions of recognition.

c. *Previous Memoranda of Understanding*

This MOU supersedes the letter agreement dated June 5, 2001 between the Investment Dealers Association of Canada (IDA) and the recognizing regulators of the IDA regarding the coordination of oversight of the IDA by the Canadian Securities Administrators and the Memorandum of Understanding Regarding Oversight of Market Regulation Services Inc. (RS) dated May 1, 2002 among the recognizing regulators of RS.

2. **Definitions**

"Approved Person" has the meaning attributed to that term in IIROC's Rules, as amended from time to time.

"Member" has the meaning attributed to that term in IIROC's By-law No. 1, as amended from time to time.

"Principal Regulator" means the Recognizing Regulator that is designated as such from time to time by consensus of all the Recognizing Regulators.

3. **General Provisions**

a. *Oversight Committee*

An oversight committee will be established (the Oversight Committee) which will act as a forum and venue for the discussion of issues, concerns and proposals related to the oversight of IIROC.

The Oversight Committee will include staff representatives from each of the Recognizing Regulators.

The Oversight Committee will provide to the CSA Chairs an annual written report that will include a summary of all oversight activities during the previous period.

b. *Staff Contact*

The Principal Regulator will provide IIROC with key staff contacts in each jurisdiction for the purposes of matters arising under this MOU or relating to oversight in general.

c. *Status Meetings*

The Principal Regulator will organize quarterly conference calls and an annual in-person meeting of the Oversight Committee and IIROC staff. The purpose is to discuss matters relating to the oversight of IIROC, issues relating to the regulation of IIROC's Members and other matters that are

of interest to the Recognizing Regulators and IROC. The Principal Regulator is also responsible for taking minutes of these calls and in-person meetings.

4. Review of Information Filed

Any comments of the staff of the Recognizing Regulators on information filed by IROC will be sent to the Principal Regulator. The Principal Regulator will request that IROC respond to comments raised by the Recognizing Regulators and forward any response to the Recognizing Regulators.

5. Review of By-laws and Rules

The Recognizing Regulators have developed a Joint Rule Review Protocol (the Protocol) for coordinating the review and approval of IROC by-laws and Rules, as sets out in Appendix "A".

6. Oversight Reviews

a. Coordination of Oversight Reviews

- (i) The Recognizing Regulators will use their best efforts to carry out reviews of IROC offices at least once every three years. A Recognizing Regulator may choose to participate in the review of an IROC office depending on the functions carried out in that office, or may choose to rely on another Recognizing Regulator for the review of an IROC office. In cases where a Recognizing Regulator chooses not to review the IROC office in its jurisdiction, the other Recognizing Regulators may conduct a review of that IROC office. Those Recognizing Regulators who participate in a review are considered to be "Reviewing Regulators" for the purpose of oversight reviews.
- (ii) The Reviewing Regulators agree to coordinate their reviews of IROC's offices by conducting their reviews at the same time and evaluating IROC using a uniform review program and uniform performance benchmarks.
- (iii) The Principal Regulator will develop a review program in consultation with the Reviewing Regulators.
- (iv) For each IROC office, a Reviewing Regulator will be designated as the Responsible Regulator who has overall responsibility for the review of that office. In particular, the Responsible Regulator will ensure that the review is appropriately staffed, will draft the review report for that office taking into account findings and comments of the Reviewing Regulators of that office, and will report on the

status and results of the review of that office.

- (v) The Principal Regulator will also arrange periodic conference calls of the Reviewing Regulators during the course of a review, the purpose of which is to discuss the findings at different IIROC offices and to ensure consistent recommendations for similar findings.

b. Review of Draft Reports and Issuance of Final Reports and Follow-Up Plans

At the conclusion of a review, staff of the Principal Regulator and the Reviewing Regulators will use their best efforts to follow the procedures set out below, taking into account language translation needs, when applicable:

- (i) Each Responsible Regulator will provide to all Reviewing Regulators a draft report on the results of the review of its IIROC office. The Reviewing Regulators will agree in advance on the date on which the draft reports should be completed.
- (ii) The Principal Regulator will review the draft reports for consistency of findings and recommendations and provide any needed comments to the Responsible Regulators within 10 business days of receipt of all the draft reports.
- (iii) The Responsible Regulators will review the comments and make appropriate revisions to their reports, taking into consideration comments from the relevant Reviewing Regulators, and forward their revised draft reports to the Principal Regulator within 10 business days of receipt of the Principal Regulator's comments.
- (iv) Within 10 business days of receipt of all the revised draft reports, the Principal Regulator will forward the draft reports on each office to IIROC for it to confirm factual accuracy.
- (v) IIROC will review the draft reports for factual accuracy and respond to all the Reviewing Regulators with comments within 15 business days of receipt of the draft reports.
- (vi) The Responsible Regulators will consider IIROC's comments and revise their reports as necessary, and will forward a copy of their final reports to the Principal Regulator within 20 business days of receiving IIROC's comments.
- (vii) The Principal Regulator will combine the final reports on each IIROC office into a consolidated report and prepare an executive

summary to the consolidated report. The Principal Regulator will forward the consolidated report to the Reviewing Regulators for their review within 20 business days of receipt of all the final reports.

- (viii) The Reviewing Regulators will provide to the Principal Regulator any comments on the consolidated report within 10 business days of receipt of the consolidated report.
- (ix) The Principal Regulator will review the comments, make any appropriate changes to the consolidated report, and forward the consolidated report to IROC for a formal response with copies to the Reviewing Regulators, within 10 business days of receipt of the Reviewing Regulators' comments.
- (x) IROC will use its best efforts to respond to the consolidated report within 20 business days of receipt of the report. A copy of its response will be sent to all the Reviewing Regulators.
- (xi) The Responsible Regulator will review IROC's response, develop a follow-up plan for the applicable IROC office, and forward its follow-up plan to the Principal Regulator, within 20 business days of receipt of IROC's response.
- (xii) The Principal Regulator will provide the final consolidated report, together with IROC's response and the follow-up plan for each IROC office, to the CSA Chairs and IROC once each Reviewing Regulator has obtained the necessary internal approval.

c. Interim Reviews

Although the Principal Regulator will co-ordinate periodic reviews as described above, each Recognizing Regulator retains the ability to perform a review of IROC to deal with significant and/or local issues that require immediate attention and that would be best dealt with through a review of an IROC office. The Recognizing Regulator desiring to perform an interim review of IROC will provide prior notice of the interim review to the Oversight Committee.

7. Appendix

Appendix "A" to this MOU is an integral part of this MOU.

8. Amendments to and Withdrawal from this MOU

This MOU may be amended from time to time as mutually agreed upon by the Recognizing Regulators. Any amendments must be in writing and approved by the

duly authorized representatives of each Recognizing Regulator.

Each Recognizing Regulator can, at any time, withdraw from this MOU on at least 90 days written notice to the Principal Regulator and to each Recognizing Regulator.

9. Effective Date

This MOU comes into effect on June 1, 2008 in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia and Saskatchewan, and on September 1, 2008 in Ontario. In Quebec, this MOU comes into effect on the date it is signed by the AMF and by the Minister responsible for Canadian Intergovernmental Affairs or by a person authorized by the Minister.

British Columbia Securities Commission

Alberta Securities Commission

Per:

Per:

Title:

Title:

Saskatchewan Financial Services Commission

Manitoba Securities Commission

Per:

Per:

Title:

Title:

Ontario Securities Commission

Autorité des marchés financiers

Per:

Per:

Title:

Title:

Minister Responsible for Canadian Intergovernmental Affairs

Newfoundland and Labrador, Securities Division, Department of Government Services and Land

Per:

Per:

Title:

Title:

APPENDIX A

JOINT RULE REVIEW PROTOCOL FOR IIROC

1. Scope and Purpose

- a. "Rules" includes any new rule or amendment to a rule, policy or other similar instrument.
- b. Any new or amended by-law will follow the process for rule review and approval set out in this Protocol.
- c. The Recognizing Regulators have entered into this Protocol to establish uniform procedures for their review and approval of Rules proposed by IIROC.

2. Classification of Rules

a. *Classification of Rules by IIROC*

IIROC will classify each proposed Rule as a "Housekeeping" Rule or a "Public Comment" Rule and will provide notice of classification in the materials filed with each Recognizing Regulator.

b. *Criteria for Classification of Rules*

- (i) A "Housekeeping" Rule is a proposed Rule that has no material impact on investors, issuers, members, registrants or the capital markets in any province or territory of Canada and that:
 - (A) corrects spelling, punctuation, typographical or grammatical mistakes or inaccurate cross-referencing;
 - (B) makes stylistic or formatting changes to headings or paragraph numbers;
 - (C) makes other necessary changes of an editorial nature (such as standardization of terminology);
 - (D) establishes or changes a due, fee or other charge imposed by IIROC pursuant to a Rule or fee model that has been previously approved by the Recognizing Regulators;
 - (E) changes the routine internal processes, practice, or administration of IIROC; or
 - (F) is reasonably necessary to conform IIROC's Rules to

applicable securities legislation, statutory or legal requirements; and

- (ii) A "Public Comment" Rule is any proposed Rule that is not a Housekeeping Rule.

c. Disagreements Regarding Classification

- (i) If staff of a Recognizing Regulator believe that a proposed Rule is incorrectly classified as a Housekeeping Rule, they will, within 10 days of the date of filing by IIROC, inform staff of the Principal Regulator of their intention to disagree with the classification, with an analysis of their reasons for disagreeing with the classification. Within 5 days of receiving a notice of disagreement from staff of one of the Recognizing Regulators, staff of the Principal Regulator will arrange a conference call among staff of the Recognizing Regulators to discuss the disagreement with the classification. If the disagreement still exists after the conference call, staff of the Principal Regulator will promptly notify IIROC.
- (ii) If a notice of disagreement is sent to IIROC under paragraph 2(c) (I), IIROC will reclassify the proposed Rule as a Public Comment Rule.

3. Required Materials

- a. IIROC will file the information required under this section concurrently in both English and French, accompanied with a translation certificate, with the applicable Recognizing Regulators.
- b. IIROC will file the following information with each Housekeeping Rule:
 - (i) a cover letter that indicates the classification of the Rule and the rationale for the classification;
 - (ii) the text of the proposed Rule, and, where applicable, a blacklined version of the Rule indicating changes to an existing rule; and
 - (iii) a notice for publication that contains the following:
 - (A) a brief description of the Rule,
 - (B) the reasons for the Housekeeping classification,
 - (C) the date that the Rule was approved by the IIROC Board and the Board Resolution, and

- (D) the anticipated effective date of the Rule.
- c. IIROC will file the following information with each Public Comment Rule:
- (i) a cover letter that indicates the classification of the Rule, how IIROC has taken the public interest into account when developing the Rule and why the Rule is in the public interest;
 - (ii) the text of the proposed Rule, and, where applicable, a blacklined version of the Rule indicating changes to an existing rule; and
 - (iii) a notice of publication including:
 - (A) a concise statement, together with supporting analysis, of the nature, purpose and effect of the proposed Rule;
 - (B) the possible effects of the proposed Rule on market structure, Members, non-Members, competition and the costs of compliance;
 - (C) a description of the Rule and the Rule-making process, including a description of the context in which the proposed Rule was developed, the date that the Rule was approved by the IIROC Board and the Board Resolution, the process followed, the issues considered, the consultation process undertaken and alternative approaches considered and the reasons for rejecting those alternatives;
 - (D) where the proposed Rule requires technological systems changes to be made by IIROC, Members or other market participants, a description of the implications of the proposed Rule and, where possible, a discussion of material implementation issues and plans;
 - (E) where relevant, a reference to other jurisdictions including an indication as to whether another regulator in Canada, the United States or another jurisdiction has a comparable rule or has made or is contemplating making a comparable rule and, if applicable, a comparison of the proposed Rule to the rule of the other jurisdiction;
 - (F) the anticipated date on which IIROC proposes that the proposed Rule be effective;
 - (G) a statement that the IIROC Board has determined that the proposed Rule is not contrary to the public interest; and

- (H) a request for public comment together with details on how to submit comments with the comment period deadline, and a statement that IIROC would make available to the public all comments received during the comment period.

4. Review Criteria

Without limiting the discretion of the Recognizing Regulators, the Recognizing Regulators agree that the following are factors that should be considered by the Recognizing Regulators in reviewing IIROC Rule proposals:

- a. whether IIROC followed its established internal governance practices in approving the proposed Rule;
- b. whether IIROC followed the requirements of this Protocol and has provided sufficient analysis of the nature, purpose and effect of a proposed Rule;
- c. whether IIROC has considered consequential amendments; and
- d. whether the proposed Rule conflicts with applicable laws or the terms and conditions of a Recognizing Regulator's recognition order.

5. Rule Review and Approval Process – Housekeeping Rules

- a. IIROC will file each proposed Housekeeping Rule and the materials described in subsection 3(b) of this Protocol with each Recognizing Regulator.
- b. Upon receipt of IIROC's notice of publication, staff of the Principal Regulator will immediately send confirmation of receipt of the proposed Housekeeping Rule to IIROC, with copies to the other Recognizing Regulators.
- c. If none of the Recognizing Regulators objects to the classification of the proposed Rule as a Housekeeping Rule within the time limit set out in paragraph 2(c)(I), the proposed Rule will be deemed to be approved and will be effective on the date designated by IIROC in its filing.

6. Rule Review and Approval Process – Public Comment Rules

- a. IIROC will file each proposed Public Comment Rule and the materials described in subsection 3(c) of this Protocol with each Recognizing Regulator.
- b. Upon receipt of IIROC's notice of publication, staff of the Principal

Regulator will immediately send confirmation of receipt of the proposed Public Comment Rule to IROC, with copies to the other Recognizing Regulators.

- c. As soon as practicable and in any event within 14 days of receipt of IROC's notice of publication, the Principal Regulator will, and the other Recognizing Regulators may, publish for a 30-day comment period (commencing on the date the proposed Public Comment Rule appears in the bulletin or on the website of the Principal Regulator) in its bulletin or on its website the text of the proposed Public Comment Rule and the notice of publication filed by IROC. The Principal Regulator and the other Recognizing Regulators that publish the Rule will coordinate the publication date.
- d. During the 30-day comment period, staff of each of the Recognizing Regulators will provide significant comments to staff of the Principal Regulator in writing, with copies to the other Recognizing Regulators. If staff of the Principal Regulator do not receive any such comments within the 30-day period, the other Recognizing Regulators will be deemed to not have any comments.
- e. Promptly following the 30-day comment period, IROC will confirm with staff of the Principal Regulator whether any public comments were received and, if so, IROC will forward the public comments to each of the Recognizing Regulators.
- f. If comments from staff of the Recognizing Regulators and the public comments do not raise any significant issues, staff of the Recognizing Regulators will proceed immediately to the approval of the proposed Rule following the steps outlined in subparagraphs (j)-(n) below.
- g. If comments from staff of the Recognizing Regulators or the public comments received raise significant issues, staff of the Principal Regulator will send IROC written notice, within 7 days of the end of the 30-day comment period, that the Public Comment Rule will be subject to a full review as set out in subparagraph 6(h) below.
- h. For a full review of a Public Comment Rule, the Recognizing Regulators will use best efforts to adhere to the following process:
 - (i) Staff of the Principal Regulator will prepare and deliver to staff of the other Recognizing Regulators, within 7 days of receiving from IROC confirmation that no public comments were received or a summary of public comments and IROC's response to the public comments, a draft comment letter that incorporates the comments raised by staff of the Recognizing Regulators;

- (ii) within 7 days of receipt, staff of each of the Recognizing Regulators will provide comments on the draft comment letter prepared by staff of the Principal Regulator, with copies to the other Recognizing Regulators; if staff of the Principal Regulator does not receive any comments within the 7-day period, the other Recognizing Regulators will be deemed not to have any comments;
 - (iii) Staff of the Principal Regulator will consolidate all comments received, and may identify different views from staff of the Recognizing Regulators; in the event that comments received conflict, staff of the Recognizing Regulators will try to reach an agreement to deal with the conflict; if the conflict cannot be resolved, the Principal Regulator will use its best efforts to arrange, within 14 days of becoming aware of the conflict, for the Chair or another senior executive of each of the Recognizing Regulators to discuss the issues and attempt to establish a consensus;
 - (iv) within 3 days of the other Recognizing Regulators' response (or deemed response) or of the resolution of conflicts by the Chairs or senior executives of the Recognizing Regulators, staff of the Principal Regulator will send the comment letter to IIROC, with a copy to each of the other Recognizing Regulators;
 - (v) within 14 days of receipt, IIROC will respond in writing to the comment letter sent by staff of the Principal Regulator, with a copy to staff of each of the other Recognizing Regulators; and
 - (vi) each of the other Recognizing Regulators will provide material comments to the Principal Regulator in writing within 10 days of IIROC's response, and the Principal Regulator will provide its comments to the other Recognizing Regulators within the same period; if the Principal Regulator does not receive any comments within the 10-day period, the other Recognizing Regulators will be deemed not to have any comments.
- i. IIROC and the Recognizing Regulators will discuss and attempt to resolve the concerns raised by any of the Recognizing Regulators within 30 days of receiving comments from staff of the other Recognizing Regulators regarding IIROC's response referred to in subparagraph 6(h)(V), but if the concerns are not resolved to the satisfaction of all Recognizing Regulators, review of the proposed Rule will be escalated to be discussed among the Chairs or other senior executives of the Recognizing Regulators as described below:
- (i) the Principal Regulator will use its best efforts to schedule a meeting of the chairs or other senior executives of the Recognizing Regulators within 14 days of the end of the 30-day period noted in

paragraph 6(i) above; and

- (ii) the chairs or other senior executives of the Recognizing Regulators will discuss the issues and attempt to establish a consensus among the Recognizing Regulators. If, after the consultations, the Chairs or other senior executives of the Recognizing Regulators are unable to agree on the appropriate outcome for the proposed Rule, IIROC will not be able to adopt the Rule.
- j. Staff of the Principal Regulator will prepare documentation for approval of the proposed Rule by the Principal Regulator within 14 days of resolving comments under paragraph 6(i).
- k. After a proposed rule is approved by the Principal Regulator, staff of the Principal Regulator will promptly circulate to the other Recognizing Regulators the documentation.
- l. Staff of the other Recognizing Regulators will seek the necessary approval within 30 days of receipt of the documentation from the Principal Regulator, or such later time as is mutually agreed by staff of the Recognizing Regulators.
- m. Staff of each Recognizing Regulator will inform staff of the Principal Regulator in writing of the decision concerning the proposed Rule immediately following the decision.
- n. Staff of the Principal Regulator will communicate in writing the approval of a proposed Rule to IIROC promptly upon receipt of notification from all of the other Recognizing Regulators of their decision.

7. Immediate Implementation

- a. If IIROC reasonably believes that there is an urgent need to implement a proposed Rule because of a substantial risk of material harm to investors, Members, marketplace participants or the Canadian Investor Protection Fund, IIROC may make the proposed Rule effective immediately upon approval by IIROC's Board, provided that:
 - (i) IIROC provides each Recognizing Regulator with written notice of its intention to rely upon this procedure at least 10 days before the proposed Rule is considered for approval by IIROC's Board; and
 - (ii) IIROC's written notice includes:
 - (A) the date on which IIROC intends the proposed Rule to be effective, and

- (B) an analysis in support of the need for immediate implementation of the proposed Rule.
- b. If a Recognizing Regulator does not agree that immediate implementation is necessary, that Recognizing Regulator will, within 5 days after IIROC provides notice to the Principal Regulator, advise the Principal Regulator in writing that it disagrees and provide the reasons for its disagreement, with copies to the other Recognizing Regulators. Staff of the Principal Regulator will promptly notify IIROC of the disagreement.
 - c. IIROC and the Recognizing Regulators will discuss and attempt to resolve the concerns raised by the Recognizing Regulators on a timely basis, but if the concerns are not resolved to the satisfaction of all Recognizing Regulators, the proposed Rule cannot be immediately implemented.
 - d. If no notice is received by IIROC by the end of the tenth day following the day on which IIROC provided the notification to the Principal Regulator, the Recognizing Regulators will be deemed to have approved the immediate implementation of the proposed Rule.
 - e. Proposed Rules approved (or deemed to have been approved) for immediate implementation will be effective on the later of:
 - (i) the date on which each Recognizing Regulator has approved (or is deemed to have approved) the immediate implementation; and
 - (ii) the date designated by IIROC in its written notice to the Principal Regulator.
 - f. A Rule that is implemented immediately will be published (if it is a Public Comment Rule), reviewed, and approved in accordance with this Protocol.
 - g. Where the Recognizing Regulators subsequently disapprove a Rule that was implemented immediately, IIROC will promptly repeal the Rule.

8. Effective Date of Rules

- a. Public Comment Rules (other than Rules implemented under Section 7 (Immediate Implementation) of this Protocol) will be effective on the later of:
 - (i) the date of publication of notice of approval, and
 - (ii) the date designated by IIROC under paragraph 3(c)(III)(6) of this Protocol.
- b. Housekeeping Rules will be effective on the date designated by IIROC

under paragraph 3(b)(III)(3) of this Protocol.

9. Revisions and Republication

- a. If, subsequent to its publication for comment, IIROC revises a Public Comment Rule in a manner that results in a material change in the proposed Rule's substance and/or effect, the Principal Regulator will, in consultation with IIROC and staff of the other Recognizing Regulators determine whether or not the revised Rule should be published for an additional 30-day comment period.
- b. If a Public Comment Rule is republished under subsection (a), the request for comments will include a blacklined version marked to the original published version, the date of Board approval (if different from the original published version), IIROC's summary of comments submitted and responses in respect of the previous request for comments, together with an explanation of the revisions to the proposed Rule and the supporting rationale for the revisions.

10. Publication of Notice of Approval

- a. The Principal Regulator will prepare a notice of approval of each Public Comment Rule and publish the notice, together with the summary of the proposed Rule prepared by IIROC and IIROC's summary of comments submitted and responses, if applicable, and will coordinate with staff of the other Recognizing Regulators.
- b. For any Housekeeping Rule, the Principal Regulator will publish the text of the proposed Rule and the notice for publication referred to in subparagraph 3(b)(III).
- c. Recognizing Regulators other than the Principal Regulator may publish any notice of approval.

11. Review of Protocol

IIROC and staff of the Recognizing Regulators will, once every three years, conduct a joint review of the operation of this Protocol in order to identify issues that have arisen since the last review relating to compliance with this Protocol, the continuing appropriateness of the timelines and other requirements set out in this Protocol, and necessary or desirable amendments to this Protocol to address identified issues.

12. Waiving or Varying of the Rule Review Protocol

- a. IIROC may file a written request with the Principal Regulator, with copies to the other Recognizing Regulators, to waive or vary any part of this

Protocol.

- b. Within 7 days of receipt of IIROC's request, a Recognizing Regulator who objects to the granting of the waiver or variation will notify the Principal Regulator of its objection, together with its reason(s) for the objection. If the Principal Regulator does not receive any notices of objection, the other Recognizing Regulators are deemed to not object to the waiver or variation.
- c. The Principal Regulator will provide to IIROC on the eighth day of receipt of IIROC's request either:
 - (i) written notice that a Recognizing Regulator objects to granting the waiver or variation; or
 - (ii) written notice that the waiver or variation has been granted by the Principal Regulator on behalf of all the Recognizing Regulators.
- d. A waiver or variation may be specific or general and may be made for a time or for all time as mutually agreed by staff of the Recognizing Regulators.