

Contact:  
Azza Abdallah  
Registration Counsel  
416-943-5839

*For distribution to relevant parties within your firm*

**BULLETIN #3265**  
March 22, 2004

## **By-Laws and Regulations Amendments to By-law No. 7 – Partners, Directors and Officers**

The Board of Directors has approved housekeeping amendments to By-law No. 7, as attached, effective immediately.

The amendments largely involve a reorganization to eliminate cross-references between requirements for partners, directors and officers that were difficult to follow in the previous version.

The amendments also

- define the meaning of “actively involved in the business of the Member”
- define the meaning of “director” for purposes of the By-law as a member of the Board of Directors of a Member, to distinguish it from the use of the term as an officer or functional title
- change the term “dual employment” to “multiple employment” to indicate that eligible employment of officers by affiliates is not limited to one affiliate, and
- authorize the applicable District Council to grant exemptions from certain of the provisions of the By-law.

Kenneth A. Nason  
*Association Secretary*

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. By-law 7 is repealed and replaced as follows:

**“BY-LAW NO. 7  
PARTNERS, DIRECTORS AND OFFICERS**

**7.1 Definitions**

For the purposes of this By-law 7:

- (a) “actively engaged in the business of the Member” means, participating in any regular business activities of the Member including but not limited to trading in securities or futures contracts and related services, research, investment banking, operations or promotion of the Member’s services, but shall not include participation in meetings of the Board of Directors or related corporate governance committees of the Board of Directors or occasional referrals to the Member where such referrals do not result from solicitation of business on behalf of the Member;
- (b) “director” means a member of the Board of Directors

**7.2 Approval**

No person shall be a partner, director or officer of a Member unless that person has been approved as such by the Association.

**7.3 Partners and Directors**

- (a) At least 40% of the partners or directors of a Member shall:
  - (1) Be actively engaged in the business of the Member and devote the major portion of their time to the securities industry, except those on active government services, or who for health reasons are prevented from such active engagement; or,
  - (2) Be partners, officers or directors of related or affiliated securities dealers, or affiliated financial institutions such as Canadian chartered banks, Quebec savings banks, trust or insurance companies licensed to do business in Canada or pension funds with aggregate net assets of not less than \$5,000,000; and
  - (3) Have satisfied the applicable proficiency requirements outlined in Policy 6, Part I.A(2); and
  - (4) Have experience acceptable to the Association in the financial services industry for at least five years or such lesser period as may be approved by the Association.
- (b) The remaining directors, if actively engaged in the business of the Member or a related company of the Member, or the remaining partners, shall have the qualifications described in paragraphs 7.3(a) (1) or (2) and (3).

## **7.4 Officers**

- (a) All of the officers of a Member shall:
  - (1) Be actively engaged in the business of the Member and devote the major portion of their time to the securities industry, except those on active government services, or who for health reasons are prevented from such active engagement; or,
  - (2) Be partners, officers or directors of related or affiliated securities dealers, or affiliated financial institutions such as Canadian chartered banks, Quebec savings banks, trust or insurance companies licensed to do business in Canada or pension funds with aggregate net assets of not less than \$5,000,000; and
  - (3) Have satisfied the applicable proficiency requirements outlined in Policy 6, Part I.A(2);
- (b) Not less than 60% of the officers of a Member shall have experience acceptable to the Association in the financial services industry for at least five years or such lesser period as may be approved by the Association.
- (c) At least two officers shall be engaged in the business of the Member; one of whom shall be engaged full time, while the other may be engaged on a part-time basis.

## **7.5 Chief Financial Officer**

- (a) Each Member shall appoint one officer as chief financial officer who, in addition to the requirements under 7.4(a), shall have the qualification required pursuant to Policy 6, Part I.A(2A). The chief financial officer need not be engaged full time in the business of the Member.
- (b) Notwithstanding subsection (a), if the chief financial officer of a Member terminates his/her employment with the Member and the Member is unable to immediately appoint another qualified person as chief financial officer, the Member may, with the Association's approval, appoint an officer as acting chief financial officer, provided that within 90 days of the termination:
  - (1) the acting chief financial officer meets the requirement of subsection (a) and is approved by the Association as chief financial officer; or
  - (2) another qualified person is appointed chief financial officer by the Member and approved by the Association.

## **7.6 Exemptions**

The applicable District Council may grant an exemption, in whole or in part, from any requirement under By-laws 7.3 to 7.5, where it is satisfied that to do so would not be prejudicial to the interest of the member, its clients, the public or the Association and, in granting such an exemption, it may impose such terms and conditions as it considers necessary.

## **7.7 Multiple Employments of Officers**

Where permitted by the securities legislation of the applicable jurisdiction, a person may be employed as a trading officer of a Member and affiliated or related Member or non-member registered dealers provided that:

- (a) the reasons for such multiple employments are disclosed to the Association;
- (b) the Members employing such a trading officer have filed with the Association their policies and procedures that will address any potential for conflicts of interest resulting from such multiple employments; and
- (c) the clients of the Members whose accounts are personally handled by the trading officer are informed of the details of the multiple employments and the potential for conflict of interest.

## **7.8 Persons Owning or Controlling a Significant Equity Interest in a Member**

- (a) Any partner or director of a Member who directly or indirectly owns or controls 10% or more of the voting shares of a Member shall have the proficiency requirement outlined in Policy 6, Part I.A(2)(a)
- (b) Any person other than a partner or director, who is actively engaged in the business of a Member and directly or indirectly owns or controls 10% or more of the voting securities of the Member, shall have the proficiency requirement outlined in Policy 6, Part I.A(2)(a).

## **7.9 Remuneration of Partners, Directors and Officers**

No partner, director or officer of a Member shall accept or permit any associate to accept, directly or indirectly, any remuneration, gratuity, advantage, benefit or any other consideration from any person other than the Member, its affiliates or related companies, in respect of the activities carried out by the partner, director or officer on behalf of the Member, its affiliates or related companies in connection with the sale or placement of securities on behalf of any of them.

## **7.10 Jurisdiction.**

Every person whose application for approval as a partner, director or officer of a member has been accepted shall be subject to the jurisdiction of the Association, shall comply with the By-laws, Regulations and Policies of the Association as they are from time to time amended or supplemented and, if such approval is subsequently revoked, shall forthwith terminate his or her relationship as a partner, director or officer with the Member in respect of which he or she is approved at the time of such revocation.

## **7.11 Late Filing Fees re Partners, Officers and Directors**

A Member shall be liable and pay to the Association fees in the amounts prescribed from time to time by the Board of Directors for the failure to file within ten business days after the end month a report in writing with respect to the conditions imposed on approval or continued approval of a partner, director, officer of the Member pursuant to By-law 20.”

PASSED AND ENACTED BY THE BOARD OF DIRECTORS, this 28<sup>th</sup> day of January 2004 to be effective on a date determined by Association staff.