

## COROLLARY AMENDMENTS TO By-law NO. 4

### BRANCH OFFICE MEMBERS, BRANCH OFFICES AND SUB-BRANCH OFFICES

**4.9. No person shall act as a sales manager, branch manager, assistant or co-branch manager unless the person:**

- (a) Has satisfied the applicable proficiency requirements outlined in Part I of Policy No. 6; and
- (b) Has been approved by the Association pursuant to By-law 20.

## COROLLARY AMENDMENTS TO By-law NO. 11

### DISTRICT COUNCILS AND MEETINGS

#### District Councils and Meetings

~~11.14A. Each District Council shall, at its first meeting after the Annual Meeting, appoint a roster of Hearing Committee members, pursuant to By-law 20, who have been nominated for appointment by the Nominating Committee of the District Council in accordance with Part 5 of By-law 20. Public members and retired industry members who are part of a Hearing Committee shall be eligible to vote only at meetings which are hearings pursuant to By-law 20. individuals (herein called "public members") who shall be eligible only to vote at meetings which are hearings held by the District Council pursuant to By-law 20. Only persons who are resident in the District, who are legally trained and who are, or have been, qualified as legal practitioners shall be eligible for selection as public members. No person shall be eligible to be elected or remain a public member if he or she is or becomes during his or her term of office a Member, a partner, director, officer or employee of a Member or associate or affiliate or related company of a Member, an employee of the Association, a member of the District Council, or any associate thereof. The number of public members appointed to the roster shall be in the discretion of the District Council, and individuals may be added to or deleted from such roster from time to time in accordance with the requirements of the District Council.~~

~~11.1B Each District Council may, at its first meeting after the Annual Meeting, appoint a roster of retired industry members who shall be eligible only to vote at, meetings which are hearings, held by the District Council pursuant to By-law 20. Only persons who are resident in the District, who have retired in good standing as a partner, director, officer or employee of a Member and who were qualified to be appointed to District Council prior to retirement, shall be eligible for selection as retired industry members. The number of retired industry members appointed to the roster shall be at the discretion of the District Council, and individuals may be added to or deleted from such roster from time to time in accordance with the requirements of the District Council.~~

~~11.22. Each of the Ontario, Pacific and Quebec District Councils shall include, in addition to the members referred to in By-law 11.1, a member of the Financial Administrators Section of the Association as a voting member of such District Council.~~

~~11.33. The Chair of a Group Committee in a District shall be ex-officio a member of the District Council and either with or without voting power, as may be determined at the annual meeting of Members of the District.~~

11.4. Each District Council may make and from time to time amend or repeal such Regulations, not inconsistent with the Constitution or By-laws or Regulations of the Board of Directors, as it deems advisable for the organization and management of the affairs of such District. Regulations made by a

District Council shall be effective and remain in force unless and until amended or repealed and all such Regulations for the time being in force shall be binding upon all Members of the District.

11.55. Each District Council shall meet at least once in each calendar month unless the Chair otherwise determines and shall report to the Association forthwith after each meeting in respect of any matters brought up at such meeting affecting the interests of the Association and shall from time to time report on all matters affecting the interests of the Association within its District. The Association shall submit all such reports to the Board of Directors.

11.65A. If all the members present at or participating in the meeting consent, a meeting of a District Council may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and a member of a District Council participating in such a meeting by such means is deemed for the purposes of the By-laws and Regulations to be present at that meeting.

11.76. Each District Council shall at its first meeting after the Annual Meeting select, in accordance with By-law 16.1, a panel of Members' Auditors for the ensuing year.

11.87. The Chair or any two members of a District Council may call a special meeting of such Council at any time.

11.98. A voting member of a District Council may by written proxy appoint a person to attend and vote as his or her representative at any meeting of such Council. No person shall be entitled to so act as a representative unless he or she is a member of the District Council or is a partner, director, officer or employee of a Member.

11.109. Three members of a District Council present in person shall form a quorum at any meeting thereof and any action taken by a majority of those members of the Council present at any meeting of the Council at which a quorum is present shall constitute the action of the Council.

11.119A. A resolution consented to in writing by 80% of the members of the District Council shall be as effective as if passed at a duly constituted meeting of the District Council. The consent in writing of a member of the District Council may be given by telex, telegram or other similar means of written communication.

11.120. Unless otherwise provided in the By-laws, a District Council shall not act for or in the name of the Association and shall not have any power to bind the Association except as may be authorized by resolution of the Board of Directors.

### **District Meetings**

11.134. A meeting of the Members of any District may be called by the District Council and shall be called by such Council on the requisition in writing of seven Members of such District. Notice of the time and place of any such meeting shall be given to the Members of the District. Two Members of the District entitled to vote, present personally or by a partner, director or officer shall be a quorum for any meeting of the Members of the District.

11.142. Voting at any meeting of the Members of a District may be carried out in the same manner as provided for voting at meetings of the Association. Instruments of proxy for such purpose shall be lodged with the Chair of the District Council not later than 10:00 a.m. of the day of the meeting or of any adjournment thereof, and unless so lodged no proxy shall be used or acted upon.

### **District Standing and Sub-Committees**

11.15~~3~~. Each District Council may appoint the following Standing Committees for its respective District to deal with the following matters:

(a) Nomination of Hearing Committee Members:

~~(ba)~~ Education;

~~(cb)~~ Provincial Government Legislation;

~~(de)~~ Municipal Administration and Finance;

~~(ed)~~ Tax Policy;

~~(fe)~~ Public Information and Speakers' Panel;

~~(gf)~~ Stock Exchange Liaison; and

(h) Exemption Requests.

And may combine any two, but not more, of such Standing Committees into one Committee, in which case the Committee shall bear a suitable name indicating that it is a Joint Standing Committee.

11.16. Each Standing Committee, including a Joint Standing Committee, shall consist of not less than three members, including one of the members of the District Council who shall be the Chair of such Standing Committee. The number of members of any Standing Committee which shall constitute a quorum at any meeting thereof shall be determined by the District Council.

11.17. The Chair of each District Standing Committee shall be appointed by the incoming District Council immediately after the latter has been elected, and the members of each such District Standing Committee shall be appointed as soon as practicable thereafter. The Chair of each District Standing Committee shall report to the Association at least three weeks before the Annual Meeting the names of the members of the Committee of which he or she is Chair.

11.18 Each District Council may also appoint such other Sub-Committees and for such other purposes within its District as it may in its discretion decide.

11.19 With the concurrence of the Board of Directors any District Council may authorize a Group Committee for any city or region within its respective District. A Group Committee shall bear the name of the city or region for which it is authorized coupled with the word "Group". Each such Group Committee and the Chair thereof shall be elected by the local Members in the city or region concerned.

11.20. The life of any Standing Committee or other District Sub-Committee shall not extend beyond the term of office of the District Council by which it is appointed or authorized.

## **COROLLARY AMENDMENTS TO By-law NO. 28**

### **DISCRETIONARY FUND**

28.4. Payments from the Discretionary Fund may be made at such times and in such amounts as the Board of Directors shall authorize for all or any of the following purposes, namely:

(a) To fulfill all of the obligations of the Association to the Canadian Investor Protection Fund or under any guarantee given by the Association to a third party with respect to moneys payable by the Canadian Investor Protection Fund to such third party;

(b) In the event of the insolvency or other inability of any Member to meet its financial obligations to the public (and whether or not claims against such Member have been considered by the persons administering the Canadian Investor Protection Fund), to compensate in whole or in part such creditors of any such Member as the Board of Directors in its discretion may determine;

(c) Invest in the securities of, or provide financial assistance in such form and on such terms and conditions as the Board of Directors in its discretion may determine to, The Canadian Depository for Securities Limited;

(d) To pay the fees, expenses or other remuneration of the following members of a District Council Panel, Hearing Panel or Appeal Panel~~District Council~~:

(i) Members who have retired in good standing as employees of Members; and

(ii) Public members appointed pursuant to By-law 20.944.1A.

(e) To make payments for special non-recurring projects that (1) benefit the public and/or (2) generally benefit Canadian Capital Markets, as determined by the Board of Directors or Executive Committee.

(f) For such other purposes (subject to the provisions of By-law 28.9) as the Board of Directors shall consider to be in the best interest of the Members of the Association

## **COROLLARY AMENDMENTS TO By-law NO. 30**

### **EARLY WARNING SYSTEM**

~~30.6 The Vice President, Financial Compliance may, in his or her sole discretion, propose that a Member which is designated as being in the early warning category level 2 be prohibited from opening any new branch offices, hiring any new registered representative or investment representative, opening any new customer accounts or changing in any material respect the inventory positions of the Member. If the Vice President, Financial Compliance proposes any such prohibitions pursuant to this By-law, he or she shall give written notice to the Member, and the Member may request in writing within 3 business days of receipt of notice that the proposal be reviewed by members of the applicable District Council. If no request for review is made, the prohibitions shall apply as of such date designated by the Vice President, Financial Compliance occurring on or after the expiration of the said 3 business days. In the event that such a request is made, the Chair or the Vice Chair of the applicable District Council shall designate at least two members of the District Council to review the order and to confirm, amend, or revoke the proposal of the Vice President, Financial Compliance within 7 business days of the request for review, or such longer time as may be agreed by the Member. The Member and the Vice President, Financial Compliance shall be permitted to make representations in such review in person (including by their respective staff, agents or counsel) or in writing. Pending the expiration of the said 3 business days notice by the Vice President, Financial Compliance and the result of the review, if applicable, the prohibitions shall not apply, but on becoming effective shall continue until the Member is so designated as not being in an early warning category Level 2.~~

30.6 The Senior Vice President, Member Regulation, or his or her delegate may impose prohibitions upon a Member who is designated, pursuant to By-law 30, as being in Early Warning Category Level 2 pursuant to Part 97 of By-law 20.

30.7 The ~~Senior Vice President Member Regulation, or his or her delegate, Vice-President, Financial Compliance~~ shall promptly advise any other participating institution of the Canadian Investor Protection Fund of which a Member is also a member of the fact that the Member has been designated as being in early warning category level 2, the reasons for such designation and any sanctions or restrictions that have been imposed upon the Member pursuant to Part 9 By-law 20 ~~By-law 30.6~~ or By-law 19.

### **COROLLARY AMENDMENTS TO By-law NO. 33**

#### **REVIEW BY SECURITIES COMMISSIONS**

33.1. Any Member or other person directly affected by a decision of the Board of Directors, ~~or a District Council, Hearing Panel, Board Panel or Appeal Panel~~ (other than a decision in respect of which the time for review or appeal under the By-laws has elapsed) in respect of which no further review or appeal is provided in the By-laws may request any securities commission with given ~~under~~ jurisdiction in the matter ~~under its enabling legislation~~ to review such decision and notice in writing of such appeal shall be given forthwith to the National Hearing Coordinator, ~~Secretary~~.

### **COROLLARY AMENDMENTS TO By-law NO. 35**

#### **INTRODUCING BROKER/CARRYING BROKER ARRANGEMENTS**

##### **35.1. General**

(a) For the purposes of this By-law 35:

(i) "Carrying Broker" means the Member or member of a self-regulatory organization that is a participating institution in the Canadian Investor Protection Fund that carries client accounts, which at a minimum includes the clearing and settlement of trades, the maintenance of books and records of client transactions and the custody of some or all client funds and securities;

(ii) "Introducing Broker" means the Member or member of a self-regulatory organization that is a participating institution in the Canadian Investor Protection Fund that introduces client accounts to the carrying broker;

(iii) "Canadian Financial Institution" means a Schedule I or Schedule II Bank pursuant to the Bank Act (Canada), an insurance company governed by federal or provincial insurance legislation and a loan or trust company governed by federal or provincial loan and trust company legislation.

(b) A Member may, with the approval of the applicable District Council and if otherwise in compliance with the terms of this By-law and any requirements of the regulatory authority in the jurisdiction of the introducing broker, carry accounts of clients introduced to it by:

(i) Another Member; or

(ii) A member of a self-regulatory organization that is a participating institution in the Canadian Investor Protection Fund.

(c) A Member shall not introduce accounts to any person other than:

(i) Another Member; or

(ii) A member of a self-regulatory organization that is a participating institution in the Canadian Investor Protection Fund.

(d) For the purposes of this By-law 35, arrangements whereby employees of a Member's affiliated Canadian financial institution handle securities clearance and settlement, maintain records and perform operational functions on behalf of the Member shall not be considered to be introducing/carrying arrangements for the purposes of this By-law 35, provided that pursuant to the arrangement, the employees of the Member's affiliated Canadian financial institution handle custodial functions on a segregated basis in accordance with the segregation provisions of the By-law.

(e) Except as otherwise provided herein, an introducing broker may introduce clients to only one carrying broker. An introducing broker that introduces clients to a carrying broker shall enter into a written contract with the carrying broker to which it introduces clients defining, to an extent determined from time to time by the Association the rights and obligations between them.

(i) Members who enter into an introducing broker/carrying broker arrangement must enter into a written contract in a form prescribed from time to time by the Association and each such introducing broker/carrying broker arrangement shall come into effect only after it is approved by the Senior Vice-President, Member Regulation;

(ii) An introducing broker that is party to an Introducing Type 1 or Type 2 Arrangement cannot enter into more than one introducing broker/carrying broker arrangement other than one additional introducing broker/carrying broker arrangement exclusively for trading in futures contracts and options;

(iii) An introducing broker that is party to an Introducing Type 1 or Type 2 Arrangement shall not fully service any part of its securities-related activities, other than fully servicing trading in futures contracts and options;

(iv) An introducing broker that is party to an Introducing Type 1 Arrangement shall carry out trade settlement and custody of securities related to its principal trading through the facilities of the carrying broker; and

(v) An introducing broker that is party to an Introducing Type 3 or Type 4 Arrangement may enter into more than one introducing broker/carrying broker arrangement and may also fully service part of its securities-related activities.

(f) Each introducing or carrying broker that is a party to an introducing broker/carrying broker arrangement and that is not a Member, and each of such introducing or carrying brokers' partners, directors, officers, shareholders and employees, shall comply with all By-laws, Regulations, Rulings, Policies and Forms of the Association.

(g) Each introducing broker/carrying broker arrangement must be classified as an Introducing Type 1, Type 2, Type 3 or Type 4 Arrangement and must meet the requirements for such arrangement as set out in this By-law 35.

~~(h) A Member may apply for an exemption from the requirements of By-law 35 in accordance with By-law 20.25. The District Council, may, in its discretion, exempt a Member from any of the requirements of this By-law 35.~~

### **35.6. Exemption for Arrangements Between a Member and a Foreign Affiliate**

Notwithstanding the provisions of this By-law 35, on the application of a Member pursuant to By-law 20.25, the applicable District Council~~the applicable District Council~~ may exempt any arrangements between a Member and a Member's foreign affiliate pursuant to which the Member carries accounts of the foreign affiliate or its clients from the requirements of this By-law 35 (other than By-law 35.6) provided that the arrangements meet the following criteria:

(a) Exemption Applicable to Affiliates of the Member

The exemption in this By-law 35.6 shall apply only to arrangements between a Member and a foreign affiliate of the Member. The Member shall provide the Exchange with evidence satisfactory to the Exchange of such relationship and of the details of the arrangement between them.

(b) Disclosure of Relationship to Clients of Foreign Affiliate

The Member shall ensure that the foreign affiliate, at least annually, provides written disclosure, in a form satisfactory to the Association, to each of the foreign affiliate's clients whose accounts are being carried by the Member, outlining the relationship between the Member and the Member's foreign affiliate and the relationship between the Member and the client of the foreign affiliate, and outlining any limitations on coverage of such client accounts by the Canadian Investor Protection Fund.

(c) Approval by the Requisite Authority in the Foreign Affiliate's Jurisdiction

The exemption provided in this By-law 35.6 shall only be granted by the applicable District Council upon receipt by the Association of written approval from the regulatory authority in the foreign affiliate's jurisdiction acknowledging and approving the arrangement between the Member and the Member's foreign affiliate.

(d) Responsibility for Compliance with Association Requirements

Foreign affiliates of a Member that have an arrangement with the Member as set out in this By-law 35.6, are not required to comply with the requirements of the By-laws, Regulations, Rulings, Policies and Forms of the Association solely as a result of such an arrangement.

(e) Reporting of Balances

In calculating its risk adjusted capital required under By-law 17.1 and Form 1, the Member shall report one balance owing to or from its foreign affiliate in relation to the accounts of the clients which the Member is carrying on behalf of its foreign affiliate on its Form 1 or Monthly Financial Report.

(f) Segregation of Securities

The Member shall be responsible for segregating all securities which it holds for clients of its foreign affiliate in accordance with the segregation requirements of the By-laws and Regulations.

(g) Insurance

The Member shall include all accounts introduced to it by its foreign affiliate in its calculation of the asset measurement for minimum Financial Institution Bond coverage for Clauses (A) through (E) under Regulation 400.2.

## **COROLLARY AMENDMENTS TO POLICY NO. 6**

### **PROFICIENCY AND EDUCATION:**

#### **PART I -- PROFICIENCY REQUIREMENTS**

##### **B. GENERAL EXEMPTION**

Notwithstanding this Part I, the applicable District Council, pursuant to By-law 20.24, may ~~from time to time~~ exempt any person or class of persons from the proficiency requirements on such terms and conditions, if any, as the applicable District Council may see fit.

### **PROFICIENCY AND EDUCATION:**

#### **PART II -- COURSE AND EXAMINATION EXEMPTIONS**

##### **C. DISCRETIONARY EXEMPTIONS**

The applicable District Council, pursuant to By-law 20.24, may grant an exemption from the requirement to rewrite or write any required course or examination, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption, if the applicant demonstrates adequate experience and/or successful completion of industry courses or examinations that the applicable District Council, in its opinion, determines is an acceptable alternative to the required proficiency.