

**RULE 1**  
**INTERPRETATION AND EFFECT**

1.1. In these [Rules](#) unless the context otherwise requires, the expression:

“**Affiliate**” or “**Affiliated Corporation**” where used to indicate a relationship between two corporations, means:

- (i) one corporation is a [subsidiary](#) of the other corporation;
- (ii) both corporations are subsidiaries of the same corporation; or
- (iii) both corporations are [controlled](#) by the same [person](#);

“**Applicable**” in relation to a District Council means the District Council for the District:

- (i) in which an applicant for [Membership](#) or a Dealer Member has its head office and, in the case of a [holding company](#) of a [Dealer Member corporation](#), in which the [Dealer Member corporation](#) has its head office;
- (ii) in which the [business location](#) will be located;
- (iii) in which an individual applicant for approval or [Approved Person](#) resides; or
- (iv) in which the activities that are the subject of an enforcement proceeding under Rule 8200 primarily occurred, provided that, if the activities that are the subject of the proceeding primarily occurred in more than one District or outside of any District, then a hearing panel assigned to the proceeding shall exercise its discretion to determine the applicable District Council, taking into account:
  - (1) the Districts in which any clients or other witnesses expected to testify in the proceeding reside;
  - (2) the District in which the head office of a Dealer Member that is the sole respondent in the proceeding, if applicable, is located; and
  - (3) any other factors that the hearing panel considers relevant;

“**Approved Lender**” means a [chartered bank](#), an acceptable counterparty or acceptable institution as defined in Form 1, an [industry investor](#), a Dealer Member or any other lender so designated by the [Board](#);

“**Approved Person**” means an [individual](#) approved by the Corporation under Corporation requirements to carry out a function for a Dealer Member including the following [individuals](#):

- (i) Chief Compliance Officer
- (ii) Chief Financial Officer
- (iii) [Director](#)
- (iv) [Executive](#)
- (v) [Investment Representative](#)
- (vi) [Registered Representative](#)
- (vii) [Supervisor](#)
- (viii) Trader
- (ix) Ultimate Designated Person;

**“Beneficial Ownership”** of securities includes ownership:

- (i) by a [person](#) other than a corporation, of securities beneficially owned by a corporation or [affiliates](#) of the corporation, [controlled](#) by the [person](#); and
- (ii) by a corporation of securities beneficially owned by the [affiliates](#) of the corporation;

**“Board”** means the board of directors of the Corporation;

**“Business Location”** means a physical location where, on a regular and ongoing basis, at least one of a Dealer Member’s employees or agents conducts business that requires Corporation approval or registration under securities legislation;

**“Callable Debt Security”** means a security described in Rule 100.2A(a), which allows the issuer to redeem the security at a fixed price (the call price), subject to the [call protection period](#);

**“Call Protection Period”** means the period of time during which the issuer cannot redeem a [callable debt security](#);

**“Chartered Bank”** means a bank incorporated under the Bank Act (Canada);

**“Control”** or **“Controlled”**, where used to indicate control of a corporation means a circumstance where a person has beneficial ownership of [voting securities](#) of the corporation that carry more than 50% of the votes for the election of directors of the corporation and such votes allow the [person](#) to elect a majority of the directors, but if a hearing panel or District Council orders that a person does or does not control the corporation under Corporation Requirements, that order defines their relationship under Corporation requirements

**“Dealer Member corporation”** means an incorporated Dealer Member;

**“Debt”** means an [investment](#) which provides the holder with a legal right, in specified circumstances, to demand payment of the amount owing and includes a debtor-creditor relationship whether or not represented by a written instrument or security;

**“Designated Supervisor”** means a [Supervisor](#) designated by a Dealer Member as having responsibility to fulfill a supervisory role defined in a Rule, including but not limited to:

- (1) the [Supervisor](#) designated to be responsible for the opening of new accounts and the supervision of account activity under Rule 1300.2
- (2) the [Supervisor](#) designated to be responsible for the supervision of discretionary accounts under Rule 1300.4
- (3) the [Supervisor](#) designated to be responsible for the supervision of managed accounts under Rule 1300.15
- (4) the [Supervisor](#) designated to be responsible for the supervision of options accounts under Rule 1900.2
- (5) the [Supervisor](#) designated to be responsible for the supervision of futures contract accounts under Rule 1800.2
- (6) the [Supervisor](#) or Supervisors designated to pre-approve advertising, sales literature and correspondence, including research reports, under Rule 29.7(3) and Rule 3400, Guideline 7;

**“Director”** means a member of a Dealer Member’s board of directors or an [individual](#) performing similar functions at a Dealer Member that is not a corporation;

**“Equity Investment”** means an [investment](#) the holder of which has no legal right to demand payment until the issuing corporation or its board of directors has passed a resolution declaring a dividend or other distribution, or winding-up of the issuing corporation;

**“Executive”** means a Dealer Member’s partner, [Director](#) or [officer](#) who is involved in the Dealer Member’s senior management, including anyone fulfilling the role of chair or vice-chair of the board of directors, chief executive officer, president, chief administrative officer, Chief Compliance Officer, Chief Financial Officer, member of an executive management committee, any [individual](#) in a managerial position who has significant authority over daily operations, or any position that the Dealer Member designates as an executive position;

**“Extendible Debt Security”** means a security described in Rule 100.2A(b), which allows the holder, during a fixed time period, to extend the maturity date of the security to the extension maturity date, and to change the principal amount of the security to a fixed percentage (the [extension factor](#)) of the original principal amount;

**“Extension Election Period”** means the period of time during which the holder may elect to extend the maturity date and change the principal amount of, an [extendible debt security](#);

**“Extension Factor”** means, if any, the fixed percentage that should be used to change the original principal amount of the [extendible debt security](#) when the maturity date is deemed to be equal to the extension maturity date;

**“Fully Participating Security”** means a [participating security](#) other than a [limited participation security](#);

**“Guaranteeing”** includes becoming liable for, providing security for or entering into an agreement (contingent or otherwise) having the effect or result of so becoming liable for or providing security for a [person](#), including an agreement to purchase an [investment](#), property or services, to supply funds, property or services or to make an [investment](#) primarily for the purpose of directly or indirectly enabling such [person](#) to perform its obligations in respect of such security or [investment](#) or assuring the [investor](#) of such performance;

**“Holding Company”** means, in respect of any corporation, any other corporation which owns more than 50 per cent of each class or series of [voting securities](#) and more than 50 per cent of each class or series of participating securities of the corporation or of any other corporation which is a holding company of the corporation, but an [industry investor](#) shall not be considered to be a holding company by reason of the ownership of securities in its capacity as an [industry investor](#) and the [applicable](#) District Council in its discretion may deem any [person](#) (including but not limited to a corporation) to be or not to be a holding company for the purposes of the [Rules](#);

**“Individual”** means a natural [person](#);

**“Industry Investor”** means, in respect of any Dealer Member or [holding company](#) of a [Dealer Member corporation](#), any of the following who owns a beneficial interest in an [investment](#) in the Dealer Member or [holding company](#):

- (i) The Dealer Member's full-time Officers and employees or the full-time officers and employees of a [related company](#) or [affiliate](#) of the Dealer Member which carries on [securities related activities](#);
- (ii) Spouses of individuals referred to in clause (i);
- (iii) An [investment](#) corporation, if:
  - (a) A majority of each class of the [voting securities](#) of the [investment](#) corporation is held by individuals referred to in clause (i); and
  - (b) All interests in all other equity securities of the [investment](#) corporation are beneficially owned by individuals referred to in clause (i) or (ii) or their children or by industry investors with respect to the particular Dealer Member or [holding company](#);

- (iv) A family trust established and maintained for the benefit of individuals referred to in clause (i) or (ii) or their children, if
  - (a) Full direction and [control](#) of the trust, including, without limitation, its [investment](#) portfolio and the exercise of voting and other rights attaching to instruments and securities contained in the [investment](#) portfolio, are maintained by individuals referred to in clause (i) or (ii); and
  - (b) All beneficiaries of the trust are individuals referred to in clause (i) or (ii) or their children or industry investors with respect to the particular Dealer Member or [holding company](#) of a [Dealer Member corporation](#);
- (v) A registered retirement savings plan established under the *Income Tax Act (Canada)* by an [individual](#) referred to in clause (i) or (ii) if [control](#) over the [investment](#) policy of the registered retirement savings plan is held by that [individual](#) and if no other [person](#) has any beneficial interest in the registered retirement savings plan;
- (vi) A pension fund established by a Dealer Member for its Officers and employees if the pension fund is organized so that full power of its [investment](#) portfolio and the exercise of voting and other rights attaching to instruments and securities contained in the [investment](#) portfolio is held by individuals referred to in clause (i);
- (vii) The estate of an [individual](#) referred to in clause (i) or (ii) for a period of one year after the death of such [individual](#) or such longer period as may be permitted by the [applicable](#) District Council;
- (viii) Any [investor](#) referred to in clause (i), (ii), (iii), (iv) or (v) for a period of 90 days or such longer period as the Corporation may permit after the [individual](#) who, in the case of clause (i), is the [investor](#) or, in the case of such other clauses, is the [person](#) through whom the [industry investor](#) qualifies as such, is no longer in the employment of the Dealer Member, [related company](#) or [affiliate](#), as the case may be, in respect of which he or she has been approved;

But any of the foregoing is an [industry investor](#) only if an approval for purposes of this definition has been given, and not withdrawn, by the board of directors of such Dealer Member or [holding company](#), as the case may be, and by the [applicable](#) District Council;

**“Institutional Customer”** means:

- (1) An Acceptable Counterparty (as defined in Form 1);
- (2) An Acceptable Institution (as defined in Form 1);
- (3) A Regulated Entity (as defined in Form 1);
- (4) A Registrant (other than an [individual](#) registrant) under securities legislation; or
- (5) A non-individual with total securities under administration or management exceeding \$10 million;

**“Investment”** in any [person](#) means any security or [debt](#) obligation issued, assumed or guaranteed by such [person](#), any loan to such [person](#), and any right to share or participate in the assets, profit or income of such [person](#);

**“Investment Representative”** means an [individual](#), approved by the Corporation to trade in, but not advise on, securities, options, futures contracts or futures contract options on the Dealer Member’s behalf, including an Investment Representative (dealing in mutual funds only);

**“Investor”** means any [person](#) who has an interest in an [investment](#);

**“Junior Subordinated Debt”** means [subordinated debt](#), which is subordinated to other [subordinated debt](#);

**“Limited Participation Security”** means indebtedness or a preferred share that

- (i) Carries interest or dividends at a fixed rate, and, if dividends, cumulative and payable in priority to any dividends to the holders of common shares;
- (ii) If indebtedness, is repayable at any time and, if a preferred share, is redeemable at any time, in either case at a price that may include a premium if the premium is not based on earnings or retained earnings;
- (iii) Is limited in its participation in earnings to an amount not exceeding annually one-half of the annual fixed interest or dividend rate, although such participation may be cumulative; and
- (iv) Is subject to subordination or equivalent arrangements such that the return to the holders thereof on a bankruptcy would not be adversely affected by section 110 of the Bankruptcy Act (Canada) or equivalent legislation,

And which is approved as a limited participation security by the [applicable](#) District Council;

**“Manipulative and Deceptive Activities”** means the entry of an order or the execution of a trade that would create or could reasonably be expected to create:

- a) a false or misleading appearance of trading activity in or interest in the purchase or sale of a security; or
- b) an artificial ask price, bid price or sale price for the security or a related security.

**“Membership”** means membership in the Corporation as a Dealer Member;

**“Non-participating Security”** means a security with a claim limited to interest or dividends at a fixed rate;

**“Non-subordinated Debt”** means [debt](#), which is not [subordinated debt](#);

**“Officer”** means a Dealer Member’s chair and vice-chair of the board of directors, chief executive officer, president, Chief Compliance Officer, Chief Financial Officer, chief operating officer, vice-president, [secretary](#), any other [person](#) designated an officer of a Dealer Member by law or similar authority, or any [person](#) acting in a similar capacity on behalf of a Dealer Member;

**“Ordinary Course Indebtedness”** means all [debt](#) other than [debt](#) which is a restrictive or [participating security](#) or [subordinated debt](#);

**“Ownership Interest”** means all direct or indirect ownership of the participating securities;

**“Parent”** (where used to indicate a relationship with another corporation) means a corporation that has the other corporation as a [subsidiary](#);

**“Participating Security”** means a security which entitles the holder thereof to participation, limited or unlimited, in the earnings or profits of the issuer, either alone or in addition to a claim for interest or dividends at a fixed rate, and includes, except where the reference is to "outstanding" participating securities, a security which entitles the holder thereof, on conversion, exchange, the exercise of rights under a warrant, or otherwise, to acquire a participating security;

**“Person”** means an [individual](#), a partnership, a corporation, a government or any of its departments or agencies, a trustee, an incorporated or unincorporated organization, an incorporated or unincorporated syndicate or an [individual’s](#) heirs, executors, administrators or other legal representatives;

**“Predecessor Organization”** means the Investment Dealers Association of Canada;

**“Public Ownership of Securities”** means the ownership of securities (other than [ordinary course indebtedness](#)) by any [person](#) other than an [industry investor](#), except that ownership by approved lenders of securities of a Dealer Member or a [holding company](#) does not, of itself, constitute public ownership of securities;

**“Qualified Independent Underwriter”** means, in respect of the distribution of securities of a [Dealer Member corporation](#) or a [holding company](#) of a [Dealer Member corporation](#), a securities firm which is a member of a [self-regulatory organization](#), and:

- (i) Has engaged in the securities business for at least five years immediately preceding the filing of the prospectus or other equivalent document;
- (ii) As of the date the distribution commences:
  - (a) If a corporation, the majority of the members of its board of directors
  - (b) If a partnership, the majority of its general partners

Has engaged in the securities business for the five-year period immediately preceding that date;

- (iii) Has engaged in the underwriting of public offerings of securities for the five-year period immediately preceding the date the distribution commences; and
- (iv) Is not an associate or [affiliate](#) of the corporation whose securities it is underwriting;

**“Recognized Stock Exchange”** means any stock exchange designated by the [Board](#) for the purposes of any one or more of these [Rules](#);

**“Registered Representative”** means an [individual](#), approved by the Corporation, to trade, or advise on trades, in securities, options, futures contracts, or futures contract options with the public in Canada on the Dealer Member’s behalf, including a [Registered Representative](#) (institutional);

**“Related Company”** means a sole proprietorship, partnership or corporation which:

- (i) Is related to a Dealer Member in that either of them, or its partners in, and directors, officers, shareholders and employees of, it, individually or collectively, have at least a 20% [ownership interest](#) in the other of them, including an interest as a partner or shareholder, directly or indirectly, and whether or not through holding companies;
- (ii) Is a [securities dealer](#) or adviser in Canada; and
- (iii) Is a member of a participating institution of the Canadian Investor Protection Fund;

Provided that the [Board](#) may, from time to time, include in, or exclude from this definition any sole proprietorship, partnership or corporation, and change those included or excluded;

**“Restrictive Security”** means a security of a Dealer Member or a [holding company](#) of a [Dealer Member corporation](#) which, in the opinion of the [applicable](#) District Council, entitles the holder thereof to rights which give it a more extensive or substantial degree of influence on the Dealer Member or [holding company](#) of the operations thereof than is usual for a holder of the same amount of securities of the same type;

**“Retail Customer”** means a customer of a Dealer Member that is not an [institutional customer](#);

**“Retractable Debt Security”** means a security described in Rule 100.2A(c), which allows the holder of the security, during a fixed time period to retract the maturity date of the security to the

retraction maturity date, and to change the principal amount of the security to a fixed percentage (the [retraction factor](#)), of the original principal amount;

“**Retraction Election Period**” means the period of time during which the holder may elect to retract the maturity date, and change the principal amount of, a [retractable debt security](#);

“**Retraction Factor**” means, if any, the fixed percentage that should be used to change the original principal amount of the [retractable debt security](#) when the maturity date is deemed to be equal to the retraction maturity date;

“**Rules**” means these Rules and any Rules made pursuant to the By-laws of the Corporation;

“**Secretary**” means the Secretary of the Corporation;

“**Securities Commission**” means in any jurisdiction, the commission, [person](#) or other authority authorized to administer any legislation in force relating to the offering and/or sale of securities or commodity futures to the public and/or to the registration or licensing of persons engaged in trading securities or commodity futures;

“**Securities Dealer**” means an [individual](#), firm or corporation acting as dealer (principal) or broker (agent) in carrying out transactions in securities and commodity futures contracts or options on behalf of clients and includes, without limitation, acting as an underwriter or adviser;

“**Securities Held for Safekeeping**,” means those securities held by a Dealer Member for a client pursuant to a written safekeeping agreement. These securities must be free from any encumbrance, be kept apart from all other securities and be identified as being held in safekeeping for a client in a Dealer Member’s security position record, customer’s ledger and statement of account. Securities so held can only be released pursuant to an instruction from the client and not solely because the client has become indebted to the Dealer Member;

“**Securities Related Activities**” means acting as a [securities dealer](#) and carrying on any business which is incidental to or a necessary part of such activities provided that the [Board](#) may, from time to time, include in, or exclude from this definition any activities and change those included or excluded;

“**Segregated Securities**” means those clients’ securities which are unencumbered and which have either been fully paid for or are excess margin securities. Segregated securities must be distinguished as being held in trust for the client owning the same. These securities must be described as being held in segregation on the Dealer Member’s security position record (or related records), customer’s ledger and statement of account. Whenever a client becomes indebted to a Dealer Member, the Dealer Member has the right to use, by sale or loan, previously segregated securities to the extent reasonably necessary to cover the indebtedness;

“**Self-Regulatory Organization**” means any of the Corporation, The TSX Venture Exchange, the Montreal Exchange and The Toronto Stock Exchange;

“**Subordinated Debt**” means any [debt](#) the terms of which specify that its holder will not be entitled to receive payment if any payment to any holder of a senior class of [debt](#) is in default;

“**Subsidiary**” of an entity means:

- (i) an entity it [controls](#);
- (ii) a corporation it [controls](#) and one or more corporations [controlled](#) by that corporation; or
- (iii) a corporation [controlled](#) by two or more corporations it [controls](#),

and includes a corporation that is a subsidiary of another subsidiary of a corporation;

“**Supervisor**” means an [individual](#) given responsibility and authority by a Dealer Member, and approved by the Corporation, to manage the activities of the Dealer Member’s other employees, partners, [Directors](#) and [officers](#), to ensure they comply with Corporation requirements and securities legislation in conducting their and the Dealer Member’s [securities-related activities](#);

“**Voting Securities**” of a Dealer Member or [holding company](#) of a [Dealer Member corporation](#) means all securities of the Dealer Member or [holding company](#) outstanding from time to time that carry the right to vote for the election of directors, and includes:

- (i) Except where the reference is to "outstanding" voting securities, those securities which entitle the holders thereof, on conversion, exchange, the exercise of rights under a warrant, or otherwise, to acquire voting securities; and
- (ii) Preference shares which carry the right to vote for the election of directors only upon the occurrence of a specific event if such specific event has occurred.

- 1.2 Words importing the singular include the plural and vice versa and words importing any gender include any other gender.
- 1.3 Where the context indicates, references to a Dealer Member include the partners, Directors, Officers, employees and agents of the Dealer Member.
- 1.4 In the event of any dispute as to the intent or meaning of the By-laws or [Rules](#) or Rulings or Forms, the interpretation of the [Board](#), subject to the provisions of Rule 33, shall be final and conclusive.
- 1.5 The enactment of these [Rules](#) shall be without prejudice to any right, obligation or action acquired, incurred or taken under the By-laws of the Corporation and its [Predecessor Organization](#) as heretofore in effect or under the [Rules](#), Rulings or Forms passed pursuant thereto, and any proceedings taken under the By-laws as heretofore in effect or under such [Rules](#), Rulings or Forms shall be taken up and continued under and in conformity with these By-laws and the [Rules](#), Rulings and Forms as from time to time in effect.
- 1.6 Terms used in these [Rules](#) which are not defined herein shall have the same meanings as used or defined in General By-law No. 1 and the Hearing Committees and Hearing Panels Rule.



