



## **IIROC FEE MODEL**

Upon the creation of IIROC, the IIROC Board adopted an interim fee model comprising the fee models of RS (with respect to Marketplace Members) and the IDA (with respect to Dealer Members) as they existed on June 1, 2008. Alternative Trading Systems pay fees under both fee models.

Details of the current Dealer Member and Marketplace Member fee models are set out below.

IIROC is presently developing an integrated fee model, and so the information below is subject to change upon the implementation of that integrated fee model. IIROC may also make changes to the fee models described below prior to the introduction of an integrated fee model.

### **Dealer Member Fee Model**

1. The Entrance Fee shall be \$25,000.
2. The Annual Fee for each Member shall be the greater of \$25,000 and the sum of:
  - a. Such amount, not less than \$1,000 nor more than \$15,000 in accordance with a formula which is based upon the capital employed in the business of the Member as at the end of the immediately preceding calendar year, which formula the Board of Directors in its discretion may determine from time to time;
  - b. The additional amount, not less than \$4,000, that the Board of Directors in its discretion determines from time to time based upon a prescribed percentage of the amount of the gross revenues (as hereinafter defined) of a Member earned during the immediately preceding calendar year. "Gross revenues" means any fee, commission, profit, interest, dividend, concession, discount, allowance or other income derived through carrying on the business of an investment dealer and includes the gross revenues of related companies provided that the related company is a subsidiary of the Member. The gross revenues shall be computed on a consolidated basis; and

- c. The additional amount that the Board of Directors in its discretion determines from time to time based upon the number of registered individuals of a Member as at the end of the immediately preceding fiscal year.

The Board of Directors may from time to time re-determine the Annual Fee to be payable by any Member, provided that any such re-determination shall not take effect before the fiscal year of IIROC next following the fiscal year of IIROC in which such re-determination has been made. Before any such determination or re-determination is made, the Board of Directors shall obtain, but shall not be obliged to act upon, the recommendation of the Chair of the applicable District Council. In addition, where IIROC has determined for a particular Member that its total IIROC costs for the immediately preceding fiscal year are less than \$20,000, the Annual Fee for the Member shall be \$15,000.

3. The first quarter of such annual fee shall be paid in advance by each Member not later than the first of June in each year and the second quarter of such annual fee shall be paid in advance by each Member not later than the first day of August and notice of the first and second quarters of the annual fee then payable shall be mailed to each Member on or about the next preceding first of May. The third quarter of such annual fee shall be paid in advance by each Member not later than the first of October in each year and the final quarter of such annual fee shall be paid in advance by each Member not later than the first day of January in each year and notice of the third and fourth quarters of the annual fee then payable shall be mailed to each Member on or about the next preceding first of September. If an applicant for Membership is approved by the Board of Directors at any time between September 30 and December 31, both inclusive, in any year, the annual fee for the balance of the fiscal year shall be one-half of the annual fee, and if between January 1 and March 31, both inclusive, the annual fee for the balance of the fiscal year shall be one-quarter of the annual fee.
4. Notwithstanding the foregoing, in the event that:
  - a. An applicant for Membership has acquired the whole or a substantial part of the business and assets of a Member or Members in good standing whose Annual Fee for the then current fiscal year has been paid in full and who is or are resigning from Membership concurrently with the admission of the applicant to Membership; and
  - b. At least a majority in number of the partners of the applicant, in the case of a firm, or at least a majority in number of the directors and at least a majority in number of the officers of the applicant, in the case of a corporation, are partners, or directors and officers, as the case may be, of the retiring Member or Members;

Then the applicant, if the applicable District Council so approves, shall be exempted from payment of the Entrance Fee and from payment of the Annual Fee for the then current fiscal year.

5. Notwithstanding Section 2, the Board of Directors shall have power to make an assessment in any fiscal year upon each Member not to exceed 50% of the Annual Fee payable in such year by such Member. Each Member shall pay the amount so assessed upon it within thirty days after receiving written notification thereof from the Secretary.
6. A change in Membership Status Fee in an amount, not less than \$250 nor more than \$500, as the applicable District Council in its discretion may determine, shall be paid:
  - a. By a member changing its name from that which is shown on the most recent Membership List; and
  - b. By an applicant for Membership qualifying under Section 4.
7. If the first quarter of the annual fee of a Member has not been paid by the first day of July, or, if the second quarter of such annual fee has not been paid by the first day of September or, if the third quarter of such annual fee has not been paid by the first day of November or, if the fourth quarter of such annual fee has not been paid by the first day of February in any year, or the amount assessed upon any Member pursuant to Section 5, or the amount of any change in membership status fee required pursuant to Section 6 has not been paid within thirty days after the Member has received written notification thereof from the Secretary, the Secretary shall, by registered mail, request the Member to pay the same and draw the Member's attention to the provisions of this Section 7. If the entire amount owing by the Member has not been paid within thirty days from the date the Secretary has mailed the request, the Secretary shall notify the Board of Directors to this effect and the Board of Directors may, in its discretion, terminate the Membership of the Member in default. If the Board of Directors decides to terminate the Membership of a Member pursuant to the provisions of this Section 7, the Secretary will be requested to notify the Member, by registered mail, of the decision of the Board of Directors. A former Member whose Membership has been terminated pursuant to the provisions of this Section 7 shall cease to be entitled to exercise any of the rights and privileges of Membership but shall remain liable to IIROC for all amounts due to IIROC from the former Member.
8. In Sections 8, 9 and 10 the expression:
  - a. "Canadian Public Offering" means a distribution of securities of a corporation, partnership or a trust if a prospectus or similar offering document is required to be filed with any securities commission in Canada, other than a private placement or distribution of Government of Canada securities, provincial securities, municipal securities or not-for-profit securities;

- b. “Distribution” means a distribution of securities in Canada by way of Canadian public offering or private placement, or a distribution of Government of Canada securities, provincial securities, municipal securities or not-for-profit securities, whether underwritten on a firm (including bought deals) or best efforts basis by the Member, as principal or agent, and as a member of the underwriting or selling groups; provided no such distribution shall be a distribution for the purposes of this definition if the securities are:
  - i. Money market obligations;
  - ii. Government of Canada securities which are distributed by way of auction by or on behalf of the Government of Canada;
  - iii. Rights to acquire securities issued to holders of previously distributed securities;
  - iv. Continuous offerings of debt securities with terms to maturity of not less than 1 year pursuant to a shelf prospectus or similar offering document;
  - v. Debt securities in respect of which the aggregate principal amount is less than \$1,000,000; or
  - vi. Any securities (other than debt securities) in respect of which the maximum aggregate offering price is less than \$1,000,000
- c. “Government of Canada Securities” means securities of, or guaranteed by, the Government of Canada;
- d. “Municipal Securities” means securities of, or guaranteed by, any municipal corporation in Canada;
- e. “Not for Profit Securities” means securities of any school or school board, hospital or other not-for-profit organization;
- f. “Private Placement” means a distribution of securities of a corporation, partnership or trust if a prospectus or similar offering document is not required to be filed with any securities commission in Canada, provided that a distribution of Government of Canada securities, provincial securities, municipal securities or not-for-profit securities shall not be a private placement for the purposes of this definition;
- g. “Provincial Securities” means securities of, or guaranteed by, any province or territory of Canada;

- h. “Responsible Dealer” means the Member, if any, which is responsible on behalf of more than one Member for the bookkeeping and accounting in a distribution; and
  - i. “Security” means any property that is a "security" for the purposes of any securities legislation in Canada, and shall include, without limitation, warrants, debt-like derivatives, structured notes and asset-backed instruments, provided that the Board of Directors may from time to time determine whether any particular property is to be included or excluded from such definition, which determination shall be final and conclusive;
9. Each Member shall pay to IIROC a levy with respect to the proportionate participation in any distribution in Canada underwritten by the Member or any affiliate of the Member as follows:
- a. For a Canadian public offering, in the case of debt securities,  $1/100$ th of 1% of the aggregate principal amount of the offering or, in any other case  $1/100$ th of 1% of the maximum aggregate price at which the securities are offered;
  - b. For a private placement, in the case of debt securities,  $1/200$ th of 1% of the aggregate principal amount of the offering or, in any other case,  $1/200$ th of 1% of the maximum aggregate price at which the securities are offered;
  - c. For a distribution of Government of Canada securities,  $1/300$ th of 1% of the aggregate principal amount of the offering;
  - d. For a distribution of provincial securities, in the case of debt securities, (other than bonds of or guaranteed by any province or territory in Canada distributed by auction),  $1/200$ th of 1% of the aggregate principal amount of the offering or, in any other case,  $1/200$ th of 1% of the maximum aggregate price at which the securities are offered;
  - e. For a distribution of municipal securities, in the case of debt securities,  $1/300$ th of 1% of the aggregate principal amount of the offering or, in any other case,  $1/300$ th of 1% of the maximum aggregate price at which the securities are offered; and
  - f. For a distribution of not-for-profit securities, in the case of debt securities,  $1/200$ th of 1% of the aggregate principal amount of the offering or, in any other case,  $1/200$ th of 1% of the maximum aggregate price at which the securities are offered.

Each levy shall be calculated in Canadian dollars or in the Canadian dollar equivalent of the currency of the distribution as of the date on which the first closing of the transaction occurs. If the levy for an offering may be calculated

according to more than one of paragraphs (a) to (f) above, the levy shall be calculated according to the paragraph which provides the highest levy.

10. Each Member or, if there is a responsible dealer in respect of a distribution involving more than one Member, the responsible dealer shall:

- a. Calculate the amount of the levy to be paid by each Member in respect of the distribution;
- b. Pay and, in the case of a responsible dealer, collect from the other Members and remit to IIROC the amount of the levy within 60 days of the date on which the first closing of the transaction occurs; and
- c. Deliver to IIROC on or before the time of payment of the levy pursuant to paragraph (b) copies of any and all forms, notices and calculations relating to the size or amount of the distribution as are required to be filed with any securities commission or stock exchange in Canada in respect of the distribution.

11. The Board of Directors may in its discretion impose the levy on an amount which is less than, in the case of debt securities, the aggregate principal amount of the offering and, in any other case, the maximum aggregate price at which the securities are offered and make any other variations in connection with the imposition of the levy as it deems necessary or desirable.

12. The extraordinary costs and expenses of IIROC incurred in connection with the review and/or approval of any reorganization, take over or other substantial change in the business, structure or affairs of a Member may be assessed to the Member at the discretion of the Board of Directors.

13. Any amount due and owing to IIROC, a District Council, committee or other person or body under the By-laws, Regulations, Rules, Policies, Forms or other regulatory instrument authorized thereunder by a Member, approved person or other person subject to the jurisdiction of IIROC, whether an Annual Fee, fee, levy, assessment, fine, cost, expense or any other charge or amount, shall bear interest at a rate per annum determined from time to time by the Board of Directors (calculated daily on the basis of a 365 day year, and payable and compounded monthly) from the date the amount is first due until paid, with interest on arrears calculated and payable in the same manner, such rate for any month not to be greater than one percent above the Canadian Chartered Bank prime lending rate at the end of each preceding month.

## **Marketplace Member Fee Model**

IIROC's costs of administering UMIR are recovered from Marketplace Members or the persons with trading access to the marketplaces operated by Marketplace Members, based on trading activity.

This fee model relates solely to IIROC's recovery of its costs for the administration of UMIR, and does not relate to its provision of other services to Marketplace Members.

To recover the costs related to the administration of UMIR, IIROC currently assesses the UMIR regulation fee on all trades executed on marketplaces for which IIROC is the regulation services provider.

IIROC currently collects the UMIR regulation fee from:

1. each ATS that has retained IIROC as its regulation services provider; and/or
2. each Participant (as defined in UMIR).

To calculate the monthly UMIR regulation fee charged to each ATS and Participant, IIROC takes its costs for that month and charges each ATS and Participant its pro rata share of that amount based on the portion of total trading volumes for the month that took place on that ATS or that was conducted by that Participant. IIROC also charges an annual fee of \$5,000 to each Participant and ATS.

The UMIR regulation fee is presently subject to a volume cap on each trade of 30,000 shares. In addition, 70% of the volume of trades pursuant to market maker obligations are excluded from a Participant's volume and the overall adjusted volume of IIROC-regulated marketplaces for the purposes of calculating the UMIR regulation fee. The volume on the other side of any trade involving a market maker is included in the calculation of overall volume.