

POLICY NO. 6

PART I - PROFICIENCY REQUIREMENTS

Introduction

This Part I outlines the proficiency requirements for registered persons. These proficiency requirements consist of both entrance thresholds and on-going requirements.

Definitions

For the purpose of this Part I:

“IFIC” means the Investment Funds Institute of Canada; and

“recognized foreign self-regulatory organization” means a foreign self-regulatory organization which offers a reciprocal treatment to Canadian applicants and which has been approved as such by the Senior Vice-President, Member Regulation.

All courses and examinations, unless otherwise specified, are administered by the Canadian Securities Institute.

A. Proficiency Requirements for Registered Persons

1. Branch Managers and Sales Managers

The proficiency requirements for a sales manager, branch manager, assistant or co-branch manager under By-law 4.9 are the following:

- (a) Two years of experience as a securities dealer or working in the office of a broker or dealer in securities in various positions or such equivalent experience as may be acceptable to the applicable District Council;
- (b) Approval as a registered representative; and
- (c) Successful completion of
 - (i) the Branch Managers Course,
 - (ii) the Options Supervisors Course if the Member trades options with the public, and
 - (iii) the Effective Management Seminar within 18 months of approval.

2. Partners, Directors and Officers

The proficiency requirements for a partner, director or officer under By-law 7.1 are the following:

- (a) Successful completion of the Partners, Directors and Senior Officers Qualifying Examination; and
- (b) For those partners, directors and officers who trade in securities, successful completion of
 - (i) the Canadian Securities Course, or
 - (ii) the New Entrants Course, where the person was registered or licensed with a recognized foreign self-regulatory organization prior to application with the Association.

3. Registered Representatives and Investment Representatives

The proficiency requirements for a registered representative or investment representative under By-law 18.3 are the following:

- (a) Successful completion of
 - (i) the Canadian Securities Course prior to commencing the training programme as described in clause (iii),
 - (ii) the Conduct and Practices Handbook Course, and
 - (iii) either
 - A. for a registered representative, except for a registered representative (non-retail), a three-month training programme during which time he or she has been employed with a Member firm on a full-time basis, or
 - B. for an investment representative, a one-month training programme during which time he or she has been employed with a Member firm on a full-time basis; or
- (b) Successful completion of the New Entrants Course, where the person was registered or licensed with a recognized foreign self-regulatory organization prior to application with the Association; and
- (c) Successful completion, where the person is a registered representative, other than a registered representative (mutual funds) or registered representative (non-retail), within 30 months of his or her approval as a registered representative

- (i) the Professional Financial Planning Course, or
- (ii) the Investment Management Techniques Course.

4. Registered Representatives (Mutual Funds) and Investment Representatives (Mutual Funds)

The proficiency requirement for a registered representative (mutual funds) or investment representative (mutual funds) under By-law 18.7 is the following:

(a) Successful completion of

- (i) the Canadian Investment Funds Course administered by IFIC,
- (ii) the Investment Funds in Canada Course administered by the Institute of Canadian Bankers, or
- (iii) the Principles of Mutual Funds Investment Course administered by the Canadian Trust Institute.

5. Traders

5.1 The proficiency requirement for a registered representative - restricted (floor trader) under Regulation 500.2 is the following:

- (a) Successful completion of such floor examinations as may be required by the applicable stock exchange.

5.2 The proficiency requirements for a Computer Assisted Trading System (“CATS”) trader under Regulation 500.3 are the following:

- (a) Experience of not less than 14 weeks with a Member’s equities trading department; and

(b) Successful completion of

- (i) the Trader Training Course, and
- (ii) the Canadian Securities Course and experience of not less than one year with a Member or experience of not less than two years with a Member if the person has not completed the Canadian Securities Course.

5.3 The proficiency requirement for a Competitive Options Trader (“COT”) under Regulation 500.4 is the following:

- (a) Successful completion of the Professional Options Trader Examination administered by the Toronto Futures Exchange (“the TFE”).
- 5.4 The proficiency requirement for a Commodity Floor Trader (“CFT”) under Regulation 500.5 is the following:
- (a) Successful completion of
 - (i) the Floor Trader Qualification Course administered by the Winnipeg Commodity Exchange, or
 - (ii) the Professional Options Trader Examination administered by the TFE, and
 - (iii) the Futures Floor Trader Examination administered by the TFE.
6. Portfolio Managers
- 6.1 The proficiency requirements for a portfolio manager under Regulation 1300.9A are the following:
- (a) Successful completion of
 - (i) the Portfolio Management Techniques Course and
 - A. the Professional Financial Planning Course prior to August 31, 2002, or
 - B. the Investment Management Techniques Course, or
 - (ii) the Chartered Financial Analyst designation administered by the Association for Investment Management and Research;
 - (b) Experience
 - (i) of at least three years as an associate portfolio manager,
 - (ii) of at least three years as a registered representative and two years of experience as an associate portfolio manager,
 - (iii) of at least three years as a research analyst for a Member firm of a self-regulatory organization and two years as an associate portfolio manager, or
 - (iv) of at least five years, managing a portfolio of \$5,000,000 or more, on a discretionary basis, while employed by a government-regulated institution; and

At the time of application, and for a period of not less than one year prior to the application, has had assets having an aggregate value of not less than \$5,000,000 under his or her direct administration on a discretionary basis.

6.2 The proficiency requirements for a futures contracts portfolio manager under Regulation 1300.9B are the following:

(a) Experience

- (i) of at least three years as an associate portfolio manager, or
 - (ii) of at least two years as an associate portfolio manager and at least three years in a category of registration described in Regulation 1300.9B(b); and
- (b) At the time of application, and for a period of not less than one year prior to such application, has had assets comprised of commodity futures having an aggregate value of not less than \$5,000,000 under his or her direct administration on a discretionary basis, provided that the aggregate value of such assets shall be computed based upon the value of the underlying commodities.

6.3 The proficiency requirements for an associate portfolio manager under Regulation 1300.9C are the following:

(a) Successful completion of

- (i) the Portfolio Management Techniques Course and
 - A. the Professional Financial Planning Course prior to August 31, 2002, or
 - B. the Investment Management Techniques Course, or
- (ii) the Chartered Financial Analyst designation administered by the Association for Investment Management and Research; and

(b) Experience

- (i) of at least two years as a registered and practising registered representative, or
- (ii) of at least two years as a research analyst for a member firm of a self-regulatory organization.

6.4 The proficiency requirement for an associate portfolio manager to exercise discretionary authority with respect to futures contracts managed accounts under Regulation 1300.9D is the following:

(a) Experience

- (i) of at least two years as a registered and practising futures contracts registered representative, or
- (ii) of at least two years as a research analyst specializing in futures contracts for a member firm of a self-regulatory organization.

7. Commodity Futures Contracts and Options

The proficiency requirements for a futures contract principal or alternate or a futures contract options principal or alternate or a person who deals with customers with respect to futures contracts or futures contract options under Regulation 1800.3 are the following:

(a) Successful completion of

- (i) the Derivatives Fundamentals Course and the Futures Licensing Course (the “FLC”), or
- (ii) the FLC and the National Commodity Futures Examination (the “NCFE”) administered by the National Association of Securities Dealers; and

(b) Successful completion of the Canadian Commodity Supervisors Examination, in the case of an applicant as a futures contract principal or alternate, as a futures contract options principal or alternate or as a branch manager authorized to supervise accounts trading in futures contracts or futures contract options.

8. Options

The proficiency requirement for options under Regulation 1900.3 and By-law 18.9 is the following:

(a) Successful completion of

- (i) the Derivatives Fundamentals Course and the Options Licensing Course, and
- (ii) the Options Supervisors Course, in the case of a registered options principal or alternate.

B. General Exemption

Notwithstanding this Part I, the applicable District Council 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.

**INVESTMENT DEALERS ASSOCIATION OF CANADA
BY-LAW AND REGULATION AMENDMENTS**

BRANCH OFFICE MEMBERS, BRANCH OFFICES AND SUB-BRANCH OFFICES

1. By-law 4.9 is repealed and replaced as follows:
 - “ 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.
2. By-law 4.9A is repealed and replaced as follows:
 - “ Failure to satisfy subclause A.1(c)(iii) of Part I of Policy No. 6 will result in the automatic suspension of approval. Approval will be reinstated only at such time as the individual has satisfied the applicable course requirement.”
3. By-law 4.10 is repealed and replaced as follows:
 - “ Application for approval as, or transfer of, a sales manager, branch manager, assistant or co-branch manager shall be made to the Association in such form as the Board of Directors may from time to time prescribe and the applicant shall be required to pay such fees as the Board of Directors may from time to time direct.”

**INVESTMENT DEALERS ASSOCIATION OF CANADA
BY-LAW AND REGULATION AMENDMENTS**

PARTNERS, DIRECTORS AND OFFICERS

1. By-law 7.1 is repealed and replaced as follows:
 - “ Each Member and each holding company shall ensure that
 - (1) not less than 40% of the members of the board of directors or the partners, as the case may be, of the Member shall
 - (a) be approved by the Association pursuant to By-law 7.4;
 - (b)
 - (i) be actively engaged in, and devote the major portion of their time to, the securities industry (except if on active government service or for health reasons);
 - (ii) be an officer or director of a securities dealer which is a related company of the Member; or
 - (iii) be an officer or director of a financial institution, which shall include a Canadian chartered bank, a Québec savings bank, a trust or insurance company licensed to do business in Canada or a pension fund with total net assets over \$5,000,000 which is an affiliate of the Member; and
 - (iv) provided that an officer may only be a trading officer with respect to one person, firm or corporation registered to trade pursuant to applicable securities legislation;
 - (c) have had 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; and
 - (d) have satisfied the applicable proficiency requirements outlined in Part I of Policy No. 6.
 - (2) the remaining members of the board of directors of the Member shall
 - (a) if they are actively engaged in the business of the Member or a related company, have the qualifications described in paragraphs (1)(a), (b) and (d); or
 - (b) be approved by the board of directors of the Member and the Association pursuant to By-law 7.4.

- (3) the remaining partners of the Member have the qualifications described in paragraphs (1)(a), (b) and (d).
 - (4) all of the officers of the Member shall have the qualifications described in paragraphs (1)(a), (b) and (d) and not less than 60% of the officers shall also have the qualification described in paragraph (1)(c).”
2. By-law 7.3 is repealed.

**INVESTMENT DEALERS ASSOCIATION OF CANADA
BY-LAW AND REGULATION AMENDMENTS**

REGISTERED REPRESENTATIVES AND INVESTMENT REPRESENTATIVES

1. By-law 18 is repealed and replaced as follows:
 - "18.1 For the purposes of By-law 18, the Toronto, Montreal, Vancouver and Alberta Stock Exchanges are recognized stock exchanges.
 - 18.2 No Member shall employ any person as a registered representative or investment representative in any province in Canada unless:
 - (a) such person is registered or licensed to sell securities under the statute relating to the sale of securities in the province in which the person proposes to act as a registered representative or investment representative; and
 - (b) approval as a registered representative or investment representative has been granted by the Association in accordance with the provisions of this By-law.
 - 18.3 Application for
 - (a) approval as, or transfer of, a registered representative or investment representative shall be made to the Association in such form as the Board of Directors may from time to time prescribe; and
 - (b) approval as a registered representative or investment representative may be granted where the applicant has satisfied the applicable proficiency requirements outlined in Part I of Policy No. 6.
 - 18.4 Failure to satisfy paragraph A.3(c) of Part I of Policy No. 6 will result in the automatic suspension of approval. Approval will be reinstated only at such time as the individual has satisfied the applicable course requirement.
 - 18.5 Upon approval as a registered representative, (other than a registered representative (non-retail)) or investment representative, a six-month period of supervision, as outlined in By-law 18.6, unless he or she has worked for at least two years in a registered capacity with a securities firm which is a Member of a self-regulatory organization or a recognized foreign self-regulatory organization.
 - 18.6 Upon approval as a registered representative or investment representative, commence and complete a six-month period of supervision defined to be in accordance with the "Registered/Investment Representative Monthly Supervision Report" as specified by the Board of Directors. A copy of this report must be maintained on file by the Member, for inspection by the Senior Vice-President, Member Regulation.

18.7 Provided that it is not contrary to either the provisions of the appropriate securities or insurance legislation or any policy made pursuant thereto, the Association may grant approval of a person as a registered representative (mutual funds) or an investment representative (mutual funds) if, at the date of such application, the person

- (a) is employed by a Member solely for the purpose of soliciting orders for mutual fund securities or mutual fund securities and contracts of life insurance;
- (b) is registered under any applicable securities or insurance legislation of each jurisdiction in which he or she deals with the public to sell mutual fund securities or mutual fund securities and contracts of life insurance, as the case may be; and
- (c) has satisfied the applicable proficiency requirements outlined in Part I of Policy No. 6;

provided that, in the course of employment with a Member firm, such person shall not accept orders for the purchase or sale of any securities other than mutual fund securities or contracts of life insurance and provided, further, that the Member establishes and maintains procedures approved by the Vice-President, Financial Compliance to ensure compliance by such person with the By-laws, Regulations, Rulings and Policies.

18.8 Provided that it is not contrary to the provisions of the appropriate securities legislation or any policy made thereto, the Association may grant approval of a person as a registered representative (non-retail) if, at the date of such application, such person is employed by a Member for the purposes of engaging in the activities of a registered representative solely with or in respect of the accounts of non-retail clients or on account of the Member. For the purposes of this By-law “non-retail” clients shall be defined as:

- acceptable Counterparties;
- acceptable Institutions;
- registrants under securities legislation or members of a recognized stock exchange;
- qualified Institutions registered in the United States which include:
 - (1) Institutions (e.g. pension funds, investment companies, financial institutions other than banks, partnerships and industrial companies, but not individuals), that own or have investment discretion over \$100 million of securities.
 - (2) Banks and savings and loan associations that own or have investment discretion over \$100 million in securities and have a net worth of at least \$25 million;
- Foreign Broker Dealers that are members of the following self-regulatory organizations: any Canadian SRO, the International Stock Exchange in the UK and any Stock Exchange registered with the United States Securities and Exchange Commission.

- 18.9 Notwithstanding the provisions of By-law 18.3, the Association may grant approval of a person in the category of “Options Representative – Restricted” if, at the date of such application, such person is approved as a Registered Futures Contract Representative pursuant to Regulation 1800 and:
- (a) takes or solicits orders only for trades in options for which the underlying interest is not an equity security; and
 - (b) has satisfied the applicable proficiency requirements outlined in Part I of Policy No. 6.
- 18.10 Each application submitted to the Association for approval or transfer shall be accompanied by a fee specified by the Board of Directors. Such fee may be determined by the Board of Directors from time to time in such manner as they may in their discretion consider appropriate and may, without limitation, vary in application to any Members, or applicants or classes of such Members and applicants and according to arrangements with any securities commission.
- Such fees shall be in addition to any charges payable by the Members or their applicants for approval for writing of examinations or taking of courses. No such fee shall be refunded, whether or not the application is accepted.
- 18.11 The form of application for approval or transfer shall contain an agreement by the proposed registered representative or investment representative, as the case may be, that he or she is conversant with the By-laws and Regulations of the Association, that he or she submits to the jurisdiction of the Association, that if approval is granted he or she will comply with such By-laws and Regulations, as the same are from time to time amended or supplemented and that if such approval is subsequently revoked he or she will forthwith terminate his or her employment as a registered representative or investment representative with the Member with whom he or she is employed at the time of such revocation. Every person whose application for approval as a registered representative or investment representative of a Member has been accepted and every person whose transfer of registration has been approved shall be subject to the jurisdiction of the Association, shall comply with the By-laws, Regulations, Rulings and Policies of the Association as the same are from time to time amended or supplemented and, if such approval is subsequently revoked, shall forthwith terminate his or her employment as a registered representative or investment representative with the Member with whom he or she is employed at the time of such revocation. A registered representative or investment representative and the Member in respect of which he or she is approved shall report in writing to the Association
- (a) within ten days of the event any change in the information submitted on or with the form of application for approval including, without limitation, any required information with respect to criminal or bankruptcy proceedings pertaining to the registered representative or investment representative; and

- (b) within five business days of termination of his or her employment as a registered representative or investment representative with the Member.
- 18.12 The Association shall promptly notify the applicant and the Member of the approval by the Association of an application for approval as a registered representative or investment representative.
- 18.13 The Association shall give notice to all recognized stock exchanges in Canada and to all securities commissions in Canada of all approvals of registered representatives, investment representatives and of all revocations or terminations of approval of registered representatives and investment representatives.
- 18.14 A registered representative or investment representative may have, and continue in, another gainful occupation if:
 - (a)
 - (i) either the registered representative's or investment representative's other gainful occupation is in a remote area where there is no office of a broker or dealer in securities and the designated registered representative's or investment representative's activities as such are limited to such remote area in which he or she resides; or
 - (ii) the securities commission in the jurisdiction in which the registered representative or investment representative acts or proposes to act as a registered representative or investment representative, or the securities legislation or policies administered by such securities commission, specifically permit him or her to devote less than his or her full time to the securities business of the Member employing him or her; and
 - (b) the Member employing such registered representative or investment representative acknowledges in writing to the Association its responsibility for the supervision of such registered representative or investment representative; and
 - (c) the Member establishes and maintains procedures approved by the Vice-President, Financial Compliance to ensure continuous service to clients and to address potential problems of conflict of interest; and
 - (d) any other occupation of the registered representative or investment representative must not be:
 - (i) such as to bring the securities industry into disrepute;
 - (ii) with another member of a recognized self-regulatory organization; or
 - (iii) with a firm listed on a recognized stock exchange unless such firm is the parent company or subsidiary of the Member firm with which the registered

representative or investment representative is registered or unless such dual employment has been approved by the stock exchange on which the firm is listed.

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

*** 18.16 No Member shall permit a registered representative or investment representative who has been approved in accordance with this By-law to use a designation other than “registered representative”, “registered representative (mutual funds) or (non-retail)”, “investment representative” or “investment representative (mutual funds) or (non-retail)”, as the case may be, when dealing with the public.

18.17 Nothing in By-law 18.15 shall preclude a registered representative or investment representative from using another designation contained in the Association’s By-laws, provided that he or she has been approved for such designation according to the appropriate By-laws or Regulations.

18.18 Each Member shall be liable for and pay to the Association fees in the amounts prescribed from time to time by the Board of Directors for the failure of the Member to file a report in writing of the termination of employment of a registered representative, restricted registered representative, investment representative or restricted investment representative of the Member within the time prescribed by this By-law 18.”

*** *amendment approved but not yet in effect*

**INVESTMENT DEALERS ASSOCIATION OF CANADA
BY-LAW AND REGULATION AMENDMENTS**

REGISTERED REPRESENTATIVES AND INVESTMENT REPRESENTATIVES

1. Regulation 500 is repealed and replaced as follows:

TRADERS

- “500.1 Application for approval as a floor trader, Computer Assisted Trading System (“CATS”) trader, Competitive Options Trader (“COT”) or Commodity Floor Trader (“CFT”) shall be made to the Association in such form as the Board of Directors may from time to time prescribe.
- 500.2 No person shall act as a registered representative – restricted (floor trader) unless the person
- (a) has satisfied the applicable proficiency requirements outlined in Part I of Policy No. 6;
 - (b) is a partner, director, officer or employee of a Member;
 - (c) does not solicit orders or advise on trades in securities; and
 - (d) does not receive a commission split as all or any part of his or her remuneration.
- 500.3 No person shall act as a CATS trader unless the person has satisfied the applicable proficiency requirements outlined in Part I of Policy No. 6.
- 500.4 No person shall act as a COT unless the person has satisfied the applicable proficiency requirements outlined in Part I of Policy No. 6.
- 500.5 No person shall act as a CFT unless the person has satisfied the applicable proficiency requirements outlined in Part I of Policy No. 6.”

**INVESTMENT DEALERS ASSOCIATION OF CANADA
BY-LAW AND REGULATION AMENDMENTS**

PORTFOLIO MANAGERS AND SUPERVISION OF ACCOUNTS

1. Regulation 1300.9A is repealed and replaced as follows:
“ Application for designation and approval as a portfolio manager shall be made to the Association and may be granted where the applicant
 - (a) has satisfied the applicable proficiency requirements outlined in Part I of Policy No. 6;
 - (b) has satisfied clause A.6.1(b) of Part I of Policy No. 6 or has been granted registration by a provincial securities administrator as a portfolio manager, investment counsel or any equivalent registration category;
 - (c) is a partner, director, officer or employee of a Member;
 - (d) has obtained from the Member employing the applicant a letter of recommendation signed by the chief executive officer and the partner, director or officer responsible for the portfolio management activities of the Member firm; and
 - (e) makes an application for approval in such form as the Board of Directors may from time to time prescribe.”

2. Regulation 1300.9B is repealed and replaced as follows:
“ Application for designation and approval as a futures contracts portfolio manager shall be made to the Association and may be granted where the applicant
 - (a) has satisfied the applicable proficiency requirements outlined in Part I of Policy No. 6;
 - (b) is licensed, registered or otherwise designated or approved to trade or advise in futures contracts;
 - (c) is a partner, director, officer or employee of a Member;
 - (d) has obtained from the Member employing the applicant a letter of recommendation signed by the chief executive officer and the partner, director or officer responsible for the portfolio management activities of the Member firm; and
 - (e) makes an application for approval in such form as the Board of Directors may from time to time prescribe.”

3. Regulation 1300.9C is repealed and replaced as follows:

“ Application for designation and approval as an associate portfolio manager shall be made to the Association and may be granted where the applicant

- (a) has satisfied the applicable proficiency requirements outlined in Part I of Policy No. 6;
- (b) is registered and approved as a registered representative other than a registered representative (mutual funds) or (non-retail);
- (c) is a partner, director, officer or employee of a Member;
- (d) has obtained from the Member employing the person a letter of undertaking that the associate portfolio manager will be under the direct supervision of a qualified portfolio manager while exercising discretionary authority with respect to any managed account. Such letter must be signed by the partner, director or officer responsible for the portfolio management activities of the Member; and
- (e) makes an application for approval in such form as the Board of Directors may from time to time prescribe.”

4. The following Regulation 1300.9D is enacted as follows:

“ Application for designation and approval as an associate portfolio manager with discretionary authority with respect to futures contracts managed accounts shall be made to the Association and may be granted where the applicant

- (a) has satisfied the applicable proficiency requirements outlined in Part I of Policy No. 6;
- (b) is licensed, registered or otherwise designated or approved to trade or advise in futures contracts;
- (c) is a partner, director, officer or employee of a Member;
- (d) has obtained from the Member employing the person a letter of undertaking that the associate portfolio manager will, while exercising discretionary authority with respect to any futures contracts managed accounts, be under the direct supervision of a qualified futures contracts portfolio manager or a portfolio manager who is approved to trade and advise in futures contracts. Such letter must be signed by the partner, director or officer responsible for the portfolio management activities of the Member; and
- (e) makes an application for approval in such form as the Board of Directors may from time to time prescribe.”

**INVESTMENT DEALERS ASSOCIATION OF CANADA
BY-LAW AND REGULATION AMENDMENTS**

MINIMUM CAPITAL, CONDUCT OF BUSINESS AND INSURANCE

1. By-law 17.17 is repealed.

**INVESTMENT DEALERS ASSOCIATION OF CANADA
BY-LAW AND REGULATION AMENDMENTS**

COMMODITY FUTURES CONTRACTS AND OPTIONS

1. Regulation 1800.3 is repealed and replaced as follows:
 - “(1) Application for approval as a futures contract principal or alternate, a futures contract options principal or alternate, or a person who deals with clients with respect to futures contracts or futures contract options shall be made to the Association in such form as the Board of Directors may from time to time prescribe.
 - (2) The Association may grant approval to any such applicant who has satisfied the applicable proficiency requirements outlined in Part I of Policy No. 6.
 - (3) A futures contract principal or alternate, a futures contract options principal or alternate or a person who deals with clients with respect to futures contracts or futures contract options and the Member in respect of which any of them is approved shall report in writing to the Association, within ten days of the event any change in the information submitted pursuant to the application for approval including, without limitation, any required information with respect to criminal or bankruptcy proceedings pertaining to such person.”

**INVESTMENT DEALERS ASSOCIATION OF CANADA
BY-LAW AND REGULATION AMENDMENTS**

OPTIONS

1. Regulation 1900.2 is repealed and replaced as follows:
 - “(1) No Member, or any person acting on its behalf, shall trade or advise in respect of options unless
 - (a) one or more of the partners, directors or officers of the Member is designated in writing by the Member as a registered options principal who shall be responsible for the authorization of new options accounts and for the supervision of account activity involving options and, where necessary to ensure continuous supervision, one or more alternates to such registered options principal are appointed by the Member;
 - (b) each person designated as a registered options principal or alternated under subparagraph (a) or trading or advising in respect of options has been approved pursuant to Regulation 1900.3;
 - (c) each of the Member’s clients has entered into an options trading agreement referred to in Regulation 1900.6;
 - (d) the account of each client of the Member trading in options has been authorized in accordance with Regulation 1900.4 by a registered options principal;
 - (e) the Member
 - (i) delivers or sends by prepaid mail to each client before the first trade made by such client of an option a copy of the then current disclosure statement, or similar disclosure document which complies with applicable securities legislation in the relevant jurisdiction, in respect of the option to be traded, and
 - (ii) delivers or sends by prepaid mail to each client having an account approved for options trading each new disclosure statement or similar disclosure document which complies with applicable securities legislation in the relevant jurisdiction in respect of the option to be traded; and
 - (f) the Member complies with the applicable By-laws, Regulations, Rulings and Policies of the Association and of any exchange, clearing corporation or other organization on or through which the option is traded or issued including, without limitation, those respecting position limits and exercise limits.”

2. Regulation 1900.3 is repealed and replaced as follows:
 - “(1) Application as a registered options principal, alternate or a person trading or advising in respect of options shall be made to the Association in such form as the Board of Directors may from time to time prescribe.
 - (2) The Association may grant approval to any such applicant who has satisfied the applicable proficiency requirements outlined in Part I of Policy No. 6.”