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DEALERS
ASSOCIATION
OF CANADA

bulletin



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For distribution to relevant parties within your firm

BULLETIN #3057

October 7, 2002

By-Laws and Regulations

Amendment to By-law 5, Ownership of Securities

The Board of Directors of the Association has approved an amendment to By-law 5, Ownership of Securities, to be effective immediately.

The current rules of the IDA restrict industry investors including employees and officers of Member firms from owning securities of Members other than the Member in respect of which the investor is approved. If an employee or officer of a Member were to hold securities of another Member, it could result in conflicts or apparent conflicts between the person's role in the two organizations. For this reason, such investments have not been allowed.

The rule has been changed in order to allow such ownership in certain situations as long as the investment is not significant to either the investor or the Member. In some cases percentage ownership may cause concern, even where the dollar amounts may appear insignificant. In other situations, the dollar amount may cause concern, even where the percentage ownership may appear insignificant. Consequently, the amendments include a combination of percentage of ownership and dollar amount as a test of significance.

The amendment continues to restrict officers and employees of a Member from owning securities of another Member where such ownership may create conflicts of interest or the appearance of conflict of interest, while allowing insignificant holdings where there is no actual and not even any appearance of conflict of interest. The amendment makes it clear as to what investments are allowed and reduce the number of situations where the Association is called on to make a decision relating to permission to invest in a Member.

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Association Secretary

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INVESTMENT DEALERS ASSOCIATION OF CANADA

BY-LAW 5

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

1. By-law 5 is being amended by deleting By-law 5.6 and replacing it with the following:

5.6. No industry investor shall own securities issued by a Member or a holding company of a Member corporation other than the Member in respect of which the investor is approved or a holding company of such Member corporation, unless:

- (a) those securities are of a class in respect of which there is public ownership pursuant to a distribution thereof, in accordance with By-law 5.9(a), (b) or (d), or
- (b) the Member is an affiliate or a related company of the Member in respect of which the investor is approved; or
- (c)
 - (i) the investment does not represent a significant equity interest,
 - (ii) the Association has been notified of the relationship,
 - (iii) the Association has been provided with evidence that the other member's recognized self-regulatory organization does not object to the relationship and
 - (iv) the Member, in respect of which the industry investor is approved, has been notified of the investment and does not object to the investment.

For the purposes of this By-law 5.6, significant equity interest shall mean an investment that is more than \$20,000 or that represents more than 2% of any class of issued equity or voting shares.

PASSED AND ENACTED BY THE Board of Directors this 5th day of April 2000, to be effective on a date to be determined by Association staff.