



INVESTMENT DEALERS
ASSOCIATION OF CANADA

bulletin



ASSOCIATION CANADIENNE DES
COURTIERS EN VALEURS MOBILIÈRES

Contact:

Larry Boyce
Vice-President
Sales Compliance and Registration

For distribution to relevant parties within your firm

BULLETIN #3324
September 2, 2004

Wendyanne D'Silva
Director, Registration

By-laws and Regulations

By-law 40 – Individual Approvals, Notifications and Related Fees and the National Registration Database

The Board of Directors of the Association has approved By-law 40 and consequent amendments to By-laws 4 and 18, Regulations 1800 and 1900 and Policy 8. Relevant changes to By-law 7 were also made and were implemented with other, unrelated amendments on March 22, 2004 (see IDA Bulletin 3265).

By-law 40 brings together all of the application for approval requirements previously found in the amended by-laws and regulations and mandates participation in and the making of all such applications and notifications through the National Registration Database (NRD). Exceptions are provided for applications and notifications relating to approvals in the Province of Quebec.

The details of By-law 40 are based on and make reference to the requirements of Multilateral Instruments 31-102 and 33-109, through which all Provincial securities regulatory authorities, except the Autorité des marchés financiers, have mandated use of the NRD System. However, By-law 40 includes revisions to certain transitional requirements consistent with changes made since the implementation of NRD by the participating securities regulatory authorities through various orders and exemptions.

The only substantive change to the By-laws is the replacement of the previous requirement under By-law 4.5A for approval of the opening of branch and sub-branch offices with a requirement under By-law 40.8 simply to notify the Association.

The only substantive differences from Multilateral Instruments 31-102 and 33-109 are the requirements of Sections 40.10(1) and (2) regarding branch and sub-branch offices. Section 40.10(1) requires that Members verify the information in NRD on their branch and sub-branch offices and correct any errors or omissions by February 28, 2005. This information was brought in from several legacy databases and may not be complete and accurate.

By-law 40.10(2) requires that Members make submissions to NRD by February 28, 2005 identifying the employment location for all of their Approved Persons.

Copies of By-law 40 and the revisions to By-laws 4 and 18, Regulations 1800 and 1900 and Policy 8 are attached.

Kenneth A. Nason
Association Secretary

By-law 40: INDIVIDUAL APPROVALS, NOTIFICATIONS AND FEES AND THE NATIONAL REGISTRATION DATABASE

40.1 Definitions

For the purposes of this By-law 40,

- (1) "authorized firm representative" or "AFR" means, for a Member, an individual with his or her own NRD user ID and who is authorized by the Member to submit information in NRD format for that Member and individual applicants with respect to whom the Member is the sponsoring Member.
- (2) "chief AFR" means, for a Member filer, an individual who is an AFR and has accepted an appointment as a chief AFR by the Member.
- (3) Form 33-109F1 means the form for the submission through NRD of a Notice of Termination of an individual mandated by NRD Multilateral Instrument 33-109.
- (4) Form 33-109F2 means the form for the submission through NRD of an application for change or surrender of categories of registration mandated by NRD Multilateral Instrument 33-109.
- (5) Form 33-109F3 means the form for the submission through NRD of information regarding business locations of registered dealers mandated by NRD Multilateral Instrument 33-109.
- (6) Form 33-109F4 means the form for submission through NRD of applications for individual registration and information on non-registered individuals mandated by NRD Multilateral Instrument 33-109.
- (7) Form 33-109F5 means the paper form of a notification of a change in information regarding an individual registrant or Member mandated by NRD Multilateral Instrument 33-109.
- (8) "National Registration Database" or "NRD" means the online electronic database of registration and approval information regarding Members, their registered or approved partners, officers, directors, employees or agents and other firms and individuals registered under securities legislation in Canada other than the Province of Quebec, and includes the computer system providing for the transmission, receipt, review and dissemination of that registration information by electronic means.
- (9) "NRD account" means an account with a member of the Canadian Payments Association from which fees may be paid with respect to NRD by electronic pre-authorized debit.

- (10) "NRD access date" means the date a Member receives notice that it has access to NRD to make NRD submissions.
- (11) "NRD Administrator" means CDS INC. or a successor appointed by the Canadian securities regulatory authorities and the Association to operate NRD.
- (12) "NRD format" means the electronic format for submitting information through the NRD website.
- (13) "NRD Multilateral Instrument 31-102" means Multilateral Instrument 31-102 National Registration Database adopted by the Canadian securities regulatory authorities except the Autorité des Marchés Financiers.
- (14) "NRD Multilateral Instrument 33-109" means Multilateral Instrument 33-109 Registration Information adopted by the Canadian securities regulatory authorities except the Autorité des Marchés Financiers.
- (15) "NRD submission" means information that is submitted under this By-law 40 in NRD format, or the act of submitting information under this By-law 40 in NRD format, as the context requires.
- (16) "NRD website" means the website operated by the NRD Administrator for the NRD submissions.
- (17) "transition Member" means a Member that
 - (a) was a Member on February 3, 2003, or
 - (b) was not a Member on February 3, 2003 and applied for Membership before March 31, 2003

40.2 Obligations of Members regarding the National Registration Database

- (1) Each Member shall
 - (a) enrol in NRD and pay to the NRD Administrator an enrolment fee calculated as prescribed by the Board of Directors;
 - (b) have one and no more than one chief AFR enrolled with the NRD Administrator;
 - (c) maintain one and no more than one NRD account;
 - (d) notify the NRD Administrator of the appointment of a chief AFR within 5 business days of the appointment;
 - (e) notify the NRD Administrator of any change in the name of the firm's chief AFR within 5 business days of the change; and

- (f) submit any change in the name of an AFR, other than the firm's chief AFR, in NRD format within 5 business days of the change.
- (2) Subsection 1 does not apply to a Member registered solely under the securities legislation of the Province of Quebec and having no Approved Persons registered under any Canadian securities legislation other than that of the Province of Quebec.

40.3 Approvals and Notifications

- (1) Each Member making an application for approval of an individual in any capacity required under any By-law, Regulation or Policy of the Association shall make such application to the Association through the NRD on Form 33-109F4.
- (2) Subsection (1) does not apply to an application for Approval in the Province of Quebec.
- (3) Each Member making an application for approval in the Province of Quebec of any individual in any capacity required under any By-law, Regulation or Policy of the Association shall make such application to the Association in paper form on Association Form 1-U-2000 or Form 33-109F4.
- (4) Each Member shall notify the Association of the appointment of an Ultimate Designated Person pursuant to By-law 38.1, a Chief Compliance Officer pursuant to By-law 38.3 or a Chief Financial Officer pursuant to By-law 7.5(a) through the NRD on Form 33-109F4.
- (5) Subsection (4) does not apply to a notification by a Member having its head office in the Province of Quebec, which shall be made to the Association in paper form on Association Form 1-U-2000 or Form 33-109F4.
- (6) Each Member making an application under subsection (1) or (3) shall be liable for and pay such fees as are prescribed from time to time by the Board of Directors, including but not limited to application fees payable to the NRD Administrator for use of the NRD for the making of such an application.
- (7) Any fees payable to the Association or to the NRD Administrator pursuant to subsection (6) above shall be submitted by electronic pre-authorized debit through NRD.
- (8) Subsection (7) does not apply to fee payable for an application for Approval in the Province of Quebec.

40.4 Application for Change of Approval Category

- (1) Each Member making an application for approval of any Approved Person in a different or additional capacity requiring approval under any By-law, Regulation or Policy of the Association or to surrender an existing approval shall make such application to the Association through the NRD on Form 33-109F2.
- (2) Each Member making an application under subsection (1) shall be liable for and pay such change of status fees as are prescribed from time to time by the Board of Directors,

including but not limited to application fees payable to the NRD Administrator for use of the NRD for the making of such an application.

- (3) Any fees payable to the Association or the NRD Administrator pursuant to subsection (2) above shall be submitted by electronic pre-authorized debit through NRD.
- (4) Subsection 40.4(1) does not apply to an application for an Approved Person for a change of approval category in the Province of Quebec, which shall be made in paper form on the Association Application for Transfer or Change of Status Form or on Form 33-109F2.
- (5) Each Member making an application under subsection (4) shall be liable for and pay such change of status fees as are prescribed from time to time by the Board of Directors.

40.5 Report of Changes pursuant to Policy 8

- (1) Each Member making a report of a change regarding an Approved Person required pursuant to section I.B.1(a) of Policy 8 of the Association shall make the report through the NRD on Form 33-109F4 in the time required pursuant to NRD Multilateral Instrument 33-109.
- (2) Subsection (1) does not apply to a report regarding an individual approved in the of the Province of Quebec, which shall be made in paper form to the Association on form 33 109F4 in the time required pursuant to NRD Multilateral Instrument 33-109.

40.6 Exemption request

- (1) Each Member making an application for an exemption of an Approved Person or applicant for approval from a proficiency requirement pursuant to the Association's Policy 6 that is submitted with an application for approval made through the NRD shall make such application to the Association through the NRD.
- (2) Each Member making an application under subsection (1) above shall be liable for and pay to the Association an exemption request fee as prescribed from time to time by the Board of Directors.
- (3) Any fees payable to the Association and to the NRD Administrator pursuant to subsection (2) above shall be submitted by electronic pre-authorized debit through NRD.

40.7 Termination of Approved Persons

- (1) Each Member shall notify the Association of the termination of the Member's employment of or principal/agent relationship with any individual approved in any capacity under any By-law, Regulation or Policy of the Association through the NRD on Form 33-109F1 within the time period prescribed in NRD Multilateral Instrument 33-109 for a registered firm, as defined in NRD Multilateral Instrument 33-109, to notify the regulator of the same type of event.

- (2) 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 notification required under subsection (1) above within the time period referred to in subsection (1).
- (3) Any fees payable to the Association pursuant to subsection (2) above shall be submitted by electronic pre-authorized debit through NRD.
- (4) Subsections (1) and (3) do not apply to a notification of termination of employment or a principal/agent relationship to an individual approved in the Province of Quebec, which shall be made in paper form on the Association's Uniform Termination Notice Form or Form 33-109F1 within the time period referred to in subsection (1).
- (5) 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 notification required under subsection (4) above within the time period referred to in subsection (4).

40.8 Notification of Opening or Closing of Branch or Sub-branch Office

- (1) Each Member required to notify the Association of the opening or closing of a branch pursuant to By-law 4.6 or sub-branch office pursuant to By-law 4.7 shall do so through the NRD on Form 33-109F3 within the time period prescribed in NRD Multilateral Instrument 33-109 for a registered firm, as defined in NRD Multilateral Instrument 33-109, to notify the regulator of the opening or closing, as applicable, of a business location.
- (2) Each Member shall notify the Association through the NRD of any change in the address, type of location or supervision of any branch or sub-branch office within the time period prescribed in NRD Multilateral Instrument 33-109 for a registered firm, as defined in Multilateral Instrument 33-109, to notify the regulator of a change in a business location.
- (3) Subsections (1) and (2) do not apply to a branch or sub-branch office in the Province of Quebec.
- (4) Each Member required to notify the Association of the opening or closing of a branch or sub-branch office in the Province of Quebec shall do so in paper form within the time period referred to in subsection (1) and shall also notify the Association in paper form of the Approved Persons to be located in such branch or sub-branch within the time period prescribed in NRD Multilateral Instrument 33-109 for a registered firm, as defined in NRD Multilateral Instrument 33-109, to notify the regulator of a similar type of event.
- (5) Each Member shall notify the Association in paper form of any change in the address, type of location or supervision of any branch or sub-branch office located in the Province of Quebec within the time period referred to in subsection (2).

40.9 Annual NRD User Fee

- (1) Each Member shall be liable for and pay to the NRD Administrator an annual user fee as prescribed from time to time by the Board of Directors for each person approved in any capacity under any By-law, Regulation or Policy of the Association and recorded as such on the NRD as of the date of calculation of such annual fee as prescribed by the Board of Directors.
- (2) Any fees payable to the NRD Administrator pursuant to subsection (1) above shall be submitted by electronic pre-authorized debit through NRD.

40.10 Transition

- (1) **Accuracy of Branch or Sub-branch Information** - If the information recorded on NRD for a branch or sub-branch office of a transition Member is missing or inaccurate on the NRD access date, the transition Member must submit a completed Form 33-109F3 in NRD format in respect of that branch or sub-branch by February 28, 2005.
- (2) **Identification of Branch or Sub-branch of Approved Persons** - Each Member must make submissions through the NRD identifying the branch or sub-branch location of all Approved Persons of the Member by February 28, 2005.
- (3) **Approved Persons Included in the Data Transfer**
 - (a) Except as provided in subsection (b), in respect of Approved Persons who were recorded on NRD as Approved Persons of a transition Member on the NRD access date, the transition Member must submit completed Forms 33-109F4 in NRD format for
 - (i) 5 percent of those Approved Persons by the end of April 2004,
 - (ii) 10 percent of those Approved Persons by the end of May 2004,
 - (iii) 15 percent of those Approved Persons by the end of June 2004,
 - (iv) 20 percent of those Approved Persons by the end of July 2004,
 - (v) 25 percent of those Approved Persons by the end of August 2004,
 - (vi) 30 percent of those Approved Persons by the end of September 2004,
 - (vii) 35 percent of those Approved Persons by the end of October 2004,
 - (viii) 40 percent of those Approved Persons by the end of November 2004,
 - (ix) 45 percent of those Approved Persons by the end of December 2004,
 - (x) 50 percent of those Approved Persons by the end of March 2005,
 - (xi) 55 percent of those Approved Persons by the end of April 2005,

- (xii) 60 percent of those Approved Persons by the end of May 2005,
 - (xiii) 65 percent of those Approved Persons by the end of June 2005,
 - (xiv) 70 percent of those Approved Persons by the end of July 2005,
 - (xv) 75 percent of those Approved Persons by the end of August 2005,
 - (xvi) 80 percent of those Approved Persons by the end of September 2005,
 - (xvii) 85 percent of those Approved Persons by the end of October 2005,
 - (xviii) 90 percent of those Approved Persons by the end of November 2005,
 - (xix) 95 percent of those Approved Persons by the end of December 2005, and
 - (xx) all of those Approved Persons by the end of March 2006.
- (b) Despite subsection (a), a transition Member is not required to submit a completed Form 33-109F4 in respect of an Approved Person if another Member or a non-Member firm registered under securities legislation has submitted a completed Form 33-109F4 in respect of the Approved Person.

(4) Reporting Changes to Information regarding Approved Persons

A transition Member making a report of a change regarding an Approved Person required pursuant to section B.1(a) of Policy 8 after the NRD access date for an Approved Person for whom a completed Form 33-109F4 in NRD format has not been submitted pursuant to subsection 40.10(3)(a) shall:

- (a) submit within 5 business days of the change a completed Form 33-109F5 in paper form showing the change, and
- (b) if the notification concerns any change with regard to:

Item 1 of Form 33-109F4 – Name

Item 2 of Form 33-109F4 – Residential Address where the change is a move out of province

Item 14 of Form 33-109F4 – Criminal Disclosure

Item 15 of Form 33-109F4 – Civil Disclosure, or

Item 16 of Form 33-109F4 – Financial Disclosure

submit within 15 days of the submission of the completed Form 33-109F5 a completed Form 33-109F4 in NRD format regarding the Approved Person.

- (5) **Currency of Form 33-109F4** - For greater certainty, a completed Form 33-109F4 that is submitted under this section must be current on the date that it is submitted despite any prior submission in paper format.
- (6) **Termination of Relationship** - Despite a requirement under this section to submit a completed Form 33-109F4, a transition Member is not required to submit a Form 33-109F4 in respect of an Approved Person if the Member has submitted a completed

Uniform Termination Notice or Form 33-109F1 in respect of the Approved Person in paper format before the Members's NRD access date or through the filing of a Form 33-109F1 through the NRD after the Member's NRD access date.

40.11 Temporary Hardship Exemption

- (1) If unanticipated technical difficulties prevent a Member from making a submission in NRD format within the time required under this By-law 40, the Member is exempt from the requirement to make the submission within the required time period, if the Member makes the submission in paper format or NRD format no later than 5 business days after the day on which the information was required to be submitted.
- (2) Form 33-109F5 is the paper format for submitting a notice of a change to Form 33-109F4 information.
- (3) If unanticipated technical difficulties prevent a Member from submitting an application in NRD format, the Member may submit the application in paper format.
- (4) If a Member makes a paper format submission under this section, the Member must include the following legend in capital letters at the top of the first page of the submission:

IN ACCORDANCE WITH IDA BY-LAW 40.11 AND SECTION 5.1 OF
MULTILATERAL INSTRUMENT 31-102 NATIONAL REGISTRATION
DATABASE (NRD), THIS [SPECIFY DOCUMENT] IS BEING SUBMITTED IN
PAPER FORMAT UNDER A TEMPORARY HARDSHIP EXEMPTION.
- (5) If a Member makes a paper format submission under this section, the Member must resubmit the information in NRD format as soon as practicable and in any event within 10 business days after the unanticipated technical difficulties have been resolved.

40.12 Due Diligence and Record Keeping

- (1) Each Member must make reasonable efforts to ensure that information submitted in any submission through the NRD is true and complete.
- (2) Each Member must retain all documents used by the Member to satisfy its obligation under subsection (1) for a period of 7 years after the individual ceases to be an Approved Person of the Member.
- (3) A Member that retains a document under subsection (2) in respect of an NRD submission must record the NRD submission number on the document.

BY-LAW NO. 4

BRANCH OFFICE MEMBERS, BRANCH OFFICES AND SUB-BRANCH OFFICES

4.1. Where any Member has one or more branch offices having a manager and staff either in the District in which the principal office of such Member is situated or in any other District, each such branch office shall be a Branch Office Member.

4.2. No Entrance Fee or Annual Fee shall be payable in respect of any Branch Office Membership.

4.3. A Branch Office Member shall have the same privileges in its District as any other Member except that at all District meetings each Member shall have one vote only in respect of all its offices, whether principal or branch, in the District.

4.4. The representative of any Branch Office Member in any District shall be eligible for election as Chair or member of the District Council of such District.

4.5. Each Branch Office Member shall be entitled to send one or more representatives to the Annual Meeting.

4.5A. Repealed.

4.6. Each Member shall appoint a branch manager to be in charge of each of its branch offices and, where necessary to ensure continuous supervision of the branch office, a Member may appoint one or more assistant or co-branch managers who shall have the authority of a branch manager in the absence or incapacity of the branch manager. A Member shall notify the Association as required in accordance with By-law 40, of the opening and closure of a branch office. A branch manager shall be normally present at the branch of which he or she is in charge.

4.7. A Member having a sub-branch office shall designate as the supervisor of such office, a branch manager, or a director, partner or officer who is not normally present at such office. The business of the sub-branch office, including the entry of orders, shall be conducted through the head office of the Member or through the branch office designated as having supervisory responsibility for the sub-branch office. A Member shall notify the Association of the opening and closure of a sub-branch office in accordance with By-law 40

4.7A. The Association may approve a proposed branch or sub-branch office to be established and maintained outside of Canada, provided that:

- (a) The Member seeking approval for the branch or sub-branch office provides evidence satisfactory to the Association that the persons to be employed in such office are registered or licensed to carry on the business which is intended to be carried on at that office, pursuant to the laws of the jurisdiction in which the office will be located; and
- (b) In the case of a proposed sub-branch, the proposed sub-branch office is within the same territorial jurisdiction as the branch office designated as having supervisory responsibility for such sub-branch office.

4.8. Repealed.

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.

4.9A. 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.

4.10. Repealed.

4.11. Repealed.

4.12. Every person whose application for approval as a branch manager, assistant or co-branch manager or sales manager 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 branch manager, assistant or co-branch manager or sales manager with the Member with whom he or she is employed at the time of such revocation.

4.13. No branch manager or assistant or co-branch manager shall accept, or permit any associate to accept, directly or indirectly, any remuneration, gratuity, advantage, 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 branch manager or assistant or co-branch manager 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.

4.14 Each Member shall be liable 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 within ten business days of the end of each month, a report with respect to the conditions imposed on approval or continued approval of a branch manager, assistant or co-branch manager or sales manager of the Member pursuant to By-law 20.

(a)

BY-LAW NO. 18

REGISTERED REPRESENTATIVES AND INVESTMENT REPRESENTATIVES

18.1. For the purposes of By-law 18, the Toronto, Montreal, Vancouver and Canadian Venture 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. 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 Association 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. Repealed.

18.11. Every person whose application for approval as a registered representative or investment representative of a Member has been accepted 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.

18.12. Repealed.

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 Association 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 unless

- (1) Such Member is a related company of the Member employing the registered representative or investment representative and the Member and related company provide cross-guarantees pursuant to By-law 6.6, and
 - (2) Such dual employment is not contrary to the provisions of the applicable securities legislation or any policy made pursuant thereto; 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 18.16 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 within ten business days of the end of each month a report with respect to the conditions imposed on approval or continued approval of a registered representative, restricted registered representative, investment representative or restricted investment representative of the Member pursuant to By-law 20.

(a)

* *amendment approved but not yet in effect*

REGULATION 1800

COMMODITY FUTURES CONTRACTS AND OPTIONS

1800.1. For the purpose of this Regulation 1800, unless the subject matter or context otherwise requires, the expression:

“Clearing Corporation” or **“Clearing House”** means an association or organization, whether incorporated or unincorporated, or part of a commodity futures exchange through which trades in contracts entered into on such exchange are cleared;

“Commodity” means, anything which (i) is defined or designated as a commodity in or pursuant to the *Commodity Futures Act* (Ontario) or similar legislation in any province of Canada not inconsistent therewith, or (ii) is the subject of a futures contract;

“Commodity Futures Exchange” means an association or organization whether incorporated or unincorporated, operated for the purpose of providing the physical facilities necessary for the trading of contracts by open auction;

“Contract” means any futures contract and any futures contract option;

“Dealer” means a person or company that trades in contracts in the capacity of principal or agent;

“Futures Contract” means a contract to make or take delivery of a specified quantity and quality, grade or size of a commodity during a designated future month at a price agreed upon when the contract is entered into on a commodity futures exchange pursuant to standardized terms and conditions set forth in such exchange's by-laws, rules or regulations;

“Futures Contract Option” means a right, acquired for a consideration, to assume a long or short position in relation to a futures contract at a specified price and within a specified period of time and any other option of which the subject is a futures contract;

“Omnibus Account” means an account carried by or for a Member in which the transactions of two or more persons are combined and effected in the name of a Member without disclosure of the identity of such persons.

1800.2. No Member or any person acting on its behalf, shall trade or advise in respect of futures contracts or futures contract options without prior approval of the Association and unless:

- (a) In the case of trading or advising in respect of futures contracts:
 - (i) One or more of the partners, directors or officers of the Member is appointed in writing by the Member as a designated futures contract principal and, if necessary to ensure continuous supervision, one or more alternate designated futures contract principals, who shall have the authority and be responsible for the matters described in Regulation 1800.5; and
 - (ii) Any person designated as a futures contract principal or alternate under item (i) above, and every partner, director, officer or employee of a Member who deals with customers with respect to trading or advising in respect of futures contracts has been approved pursuant to Regulation 1800.3;
- (b) In the case of trading or advising in respect of futures contract options:
 - (i) One or more of the partners, directors or officers of the Member is appointed in writing by the Member as a designated futures contract options principal and, if necessary to ensure continuous supervision, one or more alternate designated futures contract options principals who shall have the authority and be responsible for the matters described in Regulation 1800.5; and
 - (ii) Any person designated as a futures contract options principal or alternate under item (i) above, and every partner, director, officer or employee of the Member who deals with customers with respect to trading or advising in respect of futures contract options has been approved pursuant to Regulation 1800.3;
- (c) Each of the Member's customers has acknowledged receipt of a futures contract trading agreement or futures contract options trading agreement referred to in Regulation 1800.9;
- (d) The account of each customer of the Member trading in futures contracts or futures contract options has been authorized in accordance with Regulation 1800.5 by a futures contracts principal in the case of futures contracts or by a futures contract options principal in the case of futures contract options, or (other than a branch manager in the case of discretionary or managed accounts) by the branch manager of the branch office handling the trade if the branch manager has been approved pursuant to Regulation 1800.3 to supervise accounts trading in futures contracts or futures contract options, as applicable;
- (e) In the case of trading or advising in respect of trades in futures contracts, the Member:
 - (i) Has available at each of its offices (other than a sub-branch office) to serve customers two or more persons qualified in accordance with Regulation 1800.3 or 1800.4 to deal with customers in respect of futures contracts and one or more persons to carry out trading instructions, but only two of such persons must be available to serve customers at any time in normal circumstances and during usual business hours provided one of such persons is qualified in accordance with Regulation 1800.3 or 1800.4;

- (ii) Distributes to each customer, prior to opening a futures contract account, a copy of the then current risk disclosure statement of the Member, the form of which has been approved by the Association and obtains from the customer written acknowledgement of the receipt thereof, and thereafter distributes to each such customer any amendments which have been approved by the Association to the then current risk disclosure statement; and
 - (iii) Maintains a record available for inspection by the Association showing the names and addresses of all persons to whom a current risk disclosure statement or an amendment thereto has been distributed and the date or dates of such distribution;
- (f) In the case of trading or advising in respect of trades in futures contract options, the Member:
 - (i) Has available at each of its offices (other than a sub-branch office) to serve customers two or more persons qualified in accordance with Regulation 1800.3 or 1800.4 to deal with customers in respect of futures contract options and one or more persons to carry out trading instructions, but only two of such persons must be available to serve customers at any time in normal circumstances and during usual business hours provided one of such persons is qualified in accordance with Regulation 1800.3 or 1800.4;
 - (ii) Distributes to each customer, prior to opening a futures contract options account, a copy of the then current risk disclosure statement of the Member, the form of which has been approved by the Association and obtains from the customer written acknowledgement of the receipt thereof, and thereafter distributes to each such customer any amendments which have been approved by the Association to the then current risk disclosure statement; and
 - (iii) Maintains a record available for inspection by the Association showing the names and addresses of all persons to whom a current risk disclosure statement or an amendment thereto has been distributed and the date or dates of such distribution; and
- (g) The approval of the Association shall have been obtained in respect of the procedures required by Regulation 1800.5 and the accounting, settlement and credit control systems that the Member uses in trading and dealing with customers' accounts and firm accounts with respect to futures contracts or futures contract options.

1800.3. The Association may grant 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, to any applicant who has satisfied the applicable proficiency requirements outlined in Part 1 of Policy No. 6.

1800.3A. Repealed.

1800.4. Repealed.

1800.5. The designated futures contract principal or designated futures contract options principal of a Member designated pursuant to Regulation 1800.2 shall ensure that the handling of customer business relating to futures contracts or futures contract options, as the case may be, is in accordance with the By-laws, Regulations, Rulings and Policies of the Association. In this respect the Member shall have

written procedures acceptable to the Association describing the control, supervisory and delegation procedures used by the Member to ensure compliance with the By-laws, Regulations, Rulings and Policies. In the absence or incapacity of the designated futures contract principal or futures contract options principal or when the trading activity of the Member requires additional qualified persons in connection with the supervision of the Member's business, an alternate, if any, shall assume the authority and responsibility of such designated persons. Without limiting the foregoing, each designated futures contract principal and designated futures contract options principal shall be responsible for the following matters with respect to trading or advising in respect of futures contracts and futures contract options, respectively:

- (a) Subject to Regulation 1300.2 opening all new contracts accounts pursuant to a new account application form approved by the Association and the approval of such form for all accounts prior to the commencement of any trading activity;
- (b) Using due diligence to learn and remain informed of the essential facts relative to every customer (including the customer's identity, creditworthiness and reputation) and to every order or account accepted, to ensure that the acceptance of any order for any account is within the bounds of good business practice and, subject to Regulation 1300.1(e), to use due diligence to ensure that the acceptance of any order from a customer is suitable for such customer based on factors including the customer's financial situation, investment knowledge, investment objectives and risk tolerance;
- (c) Obtaining prior to the commencement of any trading activity in any futures account the executed futures contract or futures contract trading agreement referred to in Regulation 1800.9 or the letter of undertaking referred to in Regulation 1800.10;
- (d) Imposing any appropriate restriction on futures contracts or futures contract options accounts and the proper designation of accounts and related orders;
- (e) The continuous supervision of each day's trading in futures contracts and futures contract options and the completion of a review of each day's trading no later than the next following trading day;
- (f) Reviewing on a monthly basis the cumulative trading activity of each futures contracts and futures contract options account no later than the date of mailing of the monthly statement for each month;
- (g) Monitoring performance as necessary of any duties that have been delegated by the futures contract principal or futures contract options principal, as the case may be; and
- (h) Performing such other responsibilities as the Association may prescribe from time to time.

A designated futures contract principal or designated futures contract options principal may delegate by written direction the performance of any of his or her duties under this Regulation 1800.5 (except those described in clauses (g) or (h) unless permitted by the Association and except those that are expressly stated not to be delegated) to any person whom he or she has reason to believe is capable of performing such duties; provided that the futures contract principal or futures contract options principal shall remain fully responsible for the performance of such duties.

1800.6. Notwithstanding Regulation 1800.5 or any other By-law, Regulation, Ruling or Policy, where a futures contracts or futures contract options account is opened by an acceptable institution, acceptable counter-party, another dealer on its own behalf or on behalf of a customer by an

adviser or other person qualified pursuant to any applicable legislation to advise in respect of trading or to effect trades, as the case may be, by that specific account in futures contracts or options and provided further that such adviser or other person is required by applicable legislation or other authority to ensure investments by its customers are suitable for them:

- (a) Where the person opening the account executes orders in its own name or identifies its clients by means of a code or symbols, the Member shall satisfy itself as to the credit worthiness of such person opening the account but shall not otherwise have any responsibility for the suitability of any trade for the customers of such person;
- (b) Where the person opening the account executes orders in the names of its customers with no agreement that payment of the account is guaranteed by such person, the Member shall:
 - (i) Obtain full information concerning the customer with a view to determining the credit worthiness of the client; or
 - (ii) Obtain a letter of undertaking from the person opening the account which letter shall refer to the familiarity of the person with applicable rules of account supervision and shall contain a covenant to make the investigation contemplated by those rules and to advise, where known, if the customer is a partner, director, officer, employee or security holder of a dealer or an associate of any such persons or an affiliate of the dealer;

But the Member shall not have the responsibility for determining the suitability of any trade for the customers.

1800.7. Each Member that trades in futures contracts shall file such reports on futures contracts trading as may be prescribed from time to time by the Association. Each Member shall report to the Association the greater of the market value of the total long or the total short futures contracts for each commodity, determined as at the close of business on the last day of each month (or, where such day is not a trading day, on the next preceding trading day). Such report shall be made on a form of monthly position report approved by the Association.

1800.8. All non-customer orders entered for the purchase or sale of futures contracts or futures contract options shall be clearly identified as such. For the purpose of this Regulation 1800.8 orders identified as "non-customer" shall include an order for an account in which:

- (a) A Member;
- (b) A partner, director, or officer of a Member; or
- (c) An employee of a Member to the extent that such employee has received approval pursuant to the By-laws or Regulations of the Association;

Has a direct or indirect interest other than an interest in the commission charged.

1800.9. Each Member shall have and maintain with each customer trading in futures contracts or futures contract options an account agreement in writing defining the rights and obligations between them on such subjects as the Association may from time to time determine, and shall include the following:

- (a) The rights of the Member to exercise discretion in accepting orders;
- (b) The obligation of the Member with respect to errors and/or omissions and qualification of the time periods during which orders will be accepted for execution;
- (c) The obligation of the customer in respect of the payment of his or her indebtedness to the Member and the maintenance of adequate margin and security, including the conditions under which the funds, securities or other property held in the account or any other accounts of the customer may be applied to such indebtedness or margin;
- (d) The obligation of the customer in respect of commissions, if any, on futures contracts or futures contract options bought and sold for his or her account;
- (e) The obligation of the customer in respect of the payment of interest, if any, on debit balances in his or her account;
- (f) The extent of the right of the Member to make use of free credit balances in the customer's account either in its own business or to cover debit balances in the same or other accounts, and the consent, if given, of the customer to the Member taking the other side to the customer's transactions from time to time;
- (g) The rights of the Member in respect of raising money on and pledging securities and other assets held in the customer's account;
- (h) The extent of the right of the Member to otherwise deal with securities and other assets in the customer's account and to hold the same as collateral security for the customer's indebtedness;
- (i) The customer's obligation to comply with the rules pertaining to futures contracts or futures contract options with respect to reporting, position limits and exercise limits, as applicable, as established by the commodity futures exchange on which such futures contracts or futures contract options are traded or its clearing house;
- (j) The right of the Member, if so required, to provide regulatory authorities with information and/or reports related to reporting limits and position limits;
- (k) The acknowledgement by the customer that he or she has received the current risk disclosure statement provided for in Regulation 1800.2 unless provided for by other approved means;
- (l) The right of the Member to impose trading limits and to close out futures contracts or futures contract options under specified conditions;
- (m) That minimum margin will be required from the customer in such amounts and at such times as the commodity futures exchange on which a contract is entered or its clearing house may prescribe and in such greater amounts at other times as prescribed by the By-laws and Regulations and as determined by the Member, and that such funds or property may be commingled and used by the Member in the conduct of its business;
- (n) In the case of futures contract options accounts, the method of allocation of exercise assignment notices and the customer's obligation to instruct the Member to close out contracts prior to the expiry date; and

- (o) Unless provided for in a separate agreement, the authority, if any, of the Member to effect trades for the customer on a discretionary basis, which authority shall be separately acknowledged in a part of the agreement prominently marked off from the remainder and shall not be inconsistent with any By-laws or Regulations relating to discretionary accounts.

1800.10. Regulation 1800.9 shall not apply to the opening of a futures contracts or futures contract options account where the customer is a dealer on its own behalf, a dealer on behalf of its customer if the dealer is required to maintain with its customer an account agreement substantially similar to that described in Regulation 1800.9, or is an adviser registered under any applicable legislation relating to trading or advising in respect of futures contracts or futures contract options or is an acceptable institution or an acceptable counter-party, provided the Member has obtained from the customer a letter of undertaking specifying:

- (a) That the person opening the account will comply with the by-laws, rules and regulations of the exchange and clearing house upon or through which trades in contracts are to be effected including without limitation, the rules and regulations establishing position and reporting limits; and
- (b) Where the customer also maintains with the same Member an account on which the customer is charged interest when there is a debit balance in the account, the conditions under which transfers of funds, securities or other property held in such other account will be made between accounts, unless provision is made elsewhere in a document signed by the person opening the account.

1800.11.

- (a) A record shall be kept by each Member in its office of any order or other instruction given or received with respect to a trade in a futures contract or futures contract option whether executed or unexecuted showing:
 - (i) The terms and conditions of the order or instruction and any modification or cancellation of the order or instruction;
 - (ii) The account to which the order or instruction relates;
 - (iii) Where the order relates to an omnibus account, the component accounts within the omnibus account on whose behalf the order is to be executed;
 - (iv) Where the order or instruction is placed by a person other than the customer in whose name the account is operated, the name, or designation, of the party placing the order or instruction;
 - (v) The time of the entry of the order or instruction, and, where the order is entered pursuant to the exercise of discretionary authority of a Member, identification to that effect;
 - (vi) To the extent feasible, the time of altering instructions or cancellation; and
 - (vii) The time of report of execution.
- (b) A copy of all unexecuted orders shall be kept for a period of two years and a copy of all executed orders shall be kept for a period of six years.

REGULATION 1900

OPTIONS

1900.1. For the purposes of this Regulation 1900, unless the subject matter or content otherwise requires:

“Option” means a call option or put option issued by Trans Canada Options Inc., Intermarket Services Inc., The Options Clearing Corporation, Intermarket Clearing Corporation, International Options Clearing Corporation or any other corporation or organization recognized by the Board of Directors for the purposes of this Regulation but "option" does not include a futures contract or futures contract option as defined in Regulation 1800.1.

1900.2. 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.

1900.3. The Association may grant approval as a registered options principal, alternate, or a person trading or advising in respect of options, to any applicant who has satisfied the applicable proficiency requirements outlined in Part 1 of Policy No. 6.

1900.4. A registered options principal of a Member designated pursuant to Regulation 1900.2 shall be responsible for establishing and maintaining procedures for account supervision and shall ensure that the handling of customers' business relating to options is in accordance with the By-laws, Regulations, Rulings and Policies including, in particular, Regulations 1300.1, 1300.2 and 1900.2(a). As part of this supervision, each new account involving trading in options shall be opened pursuant to an appropriate account application form and the registered options principal shall have, prior to the completion of the initial transaction, specifically approved the opening of such account, provided that in the case of a branch office or sub-branch office, such approval (other than in respect of discretionary or managed accounts) may be given by a branch manager unless such branch manager is not qualified for the supervision of options accounts. All procedures to carry out the provisions of the By-laws and Regulations including Regulation 1300 as it relates to options trading shall be in writing and subject to review by the Association. In the absence or incapacity of the designated registered options principal or when the trading activity of the Member requires additional qualified persons in connection with the supervision of the Member's business, an alternate, if any, shall assume the authority and responsibility of the registered options principal.

1900.5. Each Member that trades in options shall file reports in the form and manner and at the times required by the Association on the following matters:

- (a) All transactions together with a summary of open positions showing those that are covered and those that are uncovered; and

- (b) All holdings on the previous day in aggregate long or short positions of any single class of options of the minimum amount or over as specified by the rules, regulations or by-laws of the exchange or the clearing house on or through which the option is traded. For each class of option the number of options comprising each position and, in the case of short positions, whether they are covered shall be reported.

1900.6.

- (a) Each Member shall have and maintain with each customer trading in options an options trading agreement in writing defining the rights and obligations between them on such subjects as the Member considers appropriate or which the Association may from time to time determine, and shall include the following:
- (i) The rights of the Member to exercise discretion in accepting orders;
 - (ii) The Member's obligations with respect to errors and/or omissions and qualification of the time periods during which orders will be accepted for execution;
 - (iii) The method of allocation of exercise assignment notices;
 - (iv) The notice that maximum limits may be set on short positions and that during the last 10 days to expiry cash only terms may be applied and, in addition, that the Association may impose other rules affecting existing or subsequent transactions;
 - (v) The customer's obligation to instruct the Member to close out contracts prior to expiry date;
 - (vi) The customer's obligation to comply with applicable By-laws, Regulations, Rulings and Policies of the Association and 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;
 - (vii) The acknowledgement by the customer that he has received the current prospectus referred to in Regulation 1900.2(e);
 - (viii) A statement of the time limit set by the Member prior to which the client must submit an exercise notice; and
 - (ix) Any other matter which the exchange, clearing corporation or other organization on or through which an option is traded or issued may require.

- (b) Notwithstanding Regulation 1900.6(a), if the client is an acceptable institution or acceptable counter-party the Member may, in lieu of maintaining an options trading agreement, have and maintain a letter of undertaking from the acceptable institution or acceptable counter-party in which the institution or counter-party agrees to abide by the By-laws, Regulations, Rulings, Policies and requirements of the Association or of the exchange, clearing corporation or other organization on or through which an option is traded including those of the same relating to exercise and position limits.

1900.7. The By-laws, Regulations, Rulings and Policies of the Association relating to trading or advising in respect of securities other than this Regulation 1900 shall apply to any Member or person acting on its behalf trading or advising in respect of options except to the extent they are inconsistent with this Regulation 1900.

POLICY NO. 8

REPORTING AND RECORDKEEPING REQUIREMENTS

Introduction

This Policy establishes minimum requirements concerning information that registrants are required to report to Members and information that Members are required to report to the designated self-regulatory organization (“SRO”).

Members and registrants should also refer to the Uniform Application for Registration/Approval (or any form replacing the Uniform Application for Registration/Approval), which also sets out information that Members and registrants must report to their designated SRO.

Definitions

For the purposes of this Policy:

“**business days**” means a day other than Saturday, Sunday or any officially recognized Federal or Provincial statutory holiday.

“**civil claim**” includes civil claims pending before a court or tribunal.

“**compensation**” means the payment of a sum of money, securities, reversal of a securities transaction, inclusion of a securities transaction (whether either transaction has a realized or unrealized loss) or any other equivalent type of entry which is intended to offset or counterbalance an act of misconduct. A correction of a client account or position as a result of good faith trading errors and omissions is not considered to be “compensation” for the purposes of Policy 8.

“**designated SRO**” means the self-regulatory organization that has been assigned the prime audit jurisdiction for the Member under the Canadian Investor Protection Fund Agreement.

“**exchange contracts**” include, but are not limited, to commodity futures contracts and commodity futures options.

“**legislation or law**” includes, but is not limited to, any rules, policies, regulations, rulings or directives of any securities commission.

“**misrepresentation**” means:

- i) an untrue statement of fact; or
- ii) an omission to state a fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

“**registrant**” means any partner, director, officer or registered or approved person of a Member.

“securities – related” means:

- (i) any matter related to securities or exchange contracts; or
- (ii) any matter related to the handling of client accounts or dealings with clients; or
- (iii) any matter that is the subject of any legislation or law concerning securities or exchange contracts of any jurisdiction, inside or outside of Canada; or
- (iv) any matter that is the subject of by-laws, rules, regulations, rulings or policies of any securities or financial services regulatory or self-regulatory organization in any jurisdiction, inside or outside of Canada.

“service complaints” means any complaint by a client which is founded on customer service issues and is not the subject of:

- i) any legislation or law concerning securities or exchange contracts of any jurisdiction, inside or outside of Canada; or
- ii) by-laws, rules, regulations, rulings or policies of any securities or financial services regulatory or self-regulatory organization in any jurisdiction, inside or outside of Canada.

I. REPORTING REQUIREMENTS

A. REPORTING REQUIREMENTS TO MEMBER

1. Each registrant shall report to the Member, within two business days, whenever:
 - (a) there is any change to the information contained in his or her Uniform Application for Registration/Approval (or any form replacing the Uniform Application for Registration/Approval);
 - (b) he or she has reason to believe that he or she is or may have been in contravention of:
 - i) any provision of any legislation or law concerning securities or exchange contracts of any jurisdiction, inside or outside of Canada; or
 - ii) any by-laws, regulations, rules, rulings or policies of any regulatory or self-regulatory organization, professional licensing or registration body in any jurisdiction, inside or outside of Canada.
 - (c) he or she is the subject of any customer complaint in writing; or
 - (d) he or she is aware of a customer complaint, whether in writing or any other form, with respect to any other registrant involving allegations of theft, fraud, misappropriation of funds or securities, forgery, money laundering, market manipulation, insider trading, misrepresentation or unauthorized trading.
2. Each Member shall designate a person or department with whom the reports and records required by Part I Section A shall be filed.

B. REPORTING REQUIREMENTS TO DESIGNATED SRO

1. Each Member shall report to its designated SRO, in such detail and frequency as prescribed by the SRO:
 - (a) whenever there is any change to the information contained in the Uniform Application for Registration/Approval or Form 33-109F4 under By-law 40 of any registrant;
 - (b) whenever the Member, or any current or former registrant is charged with, convicted of, pleads guilty or no contest to, any criminal offence, in any jurisdiction, inside or outside of Canada, while in the employ of the Member, or concerning matters that occurred while in the employ of the Member;
 - (c) whenever the Member, or a current or former registrant, is:
 - (i) named as a defendant or respondent in, or is the subject of, any proceeding or disciplinary action alleging contravention of any legislation or law concerning securities or exchange contracts, of any jurisdiction, inside or outside of Canada, while in the employ of the Member, or concerning matters that occurred while in the employ of the Member;
 - (ii) named as a defendant or respondent in, or is the subject of, any proceeding or disciplinary action alleging contravention of the by-laws, regulations, rules, rulings or policies of any regulatory or self-regulatory organization, professional licensing or registration body in any jurisdiction, inside or outside of Canada, while in the employ of the Member, or concerning matters that occurred while in the employ of the Member; or
 - (iii) denied registration or a license by any regulatory or self-regulatory organization, professional licensing or registration body, in any jurisdiction, inside or outside of Canada, while in the employ of the Member.
 - (d) all customer complaints in writing, except service complaints, against the Member or any current or former registrant;
 - (e) all securities-related civil claims and arbitration notices filed, against the Member, or against any current or former registrant, in any jurisdiction inside or outside Canada, while in the employ of the Member, or concerning matters that occurred while in the employ of the Member;
 - (f) all resolutions of any matters reportable pursuant to I.B.1(b),(c),(d) and (e) of this Policy, including, judgements, awards, private settlements and arbitrations, in any jurisdiction, inside or outside of Canada;
 - (g) whenever a registrant is the subject of any internal disciplinary action where:
 - (i) there is a customer complaint in writing pursuant to Part I B. 1(d) of this Policy;
 - (ii) there is a securities-related civil claim or arbitration notice pursuant to Part I B.1(e) of this Policy;
 - (iii) there is an internal investigation pursuant to Part I B. 1(h) and Part II of

this Policy;

- (iv) member initiated disciplinary action involves suspension, termination, demotion or the imposition of trading restrictions;
 - (v) member initiated disciplinary action, arising from any source other than (i)–(iii), involves the withholding of commissions or imposition of fines in excess of \$5,000 for a single matter, \$15,000 cumulatively for a one calendar year period or where commission has been withheld or fines imposed three or more times during one calendar year period.
- (h) whenever an internal investigation, pursuant to Part II of this Policy, is commenced and the results of such internal investigation when completed.
2. Documentation associated with each item required to be reported under Part I Section B shall be maintained and available to the designated SRO, upon request, for a minimum of 2 years from the resolution of the matter.
 3. Where the designated SRO is the IDA, it shall have the power to impose a prescribed administrative fee for failure to comply with any of the reporting requirements set out in this policy. The IDA may also impose any other penalties pursuant to By-law 20.

II. INTERNAL INVESTIGATIONS

1. The Member shall conduct an internal investigation where it appears that the Member, or any current or former registrant, while in the employ of the Member, has violated any provision of any legislation or law, or has violated any by-laws, rules, regulations, rulings or policies of any regulatory or self-regulatory organization relating to theft, fraud, misappropriation of funds or securities, forgery, money laundering, market manipulation, insider trading, misrepresentation or unauthorized trading, in any jurisdiction, inside or outside of Canada.
2. Records of investigations under Part II Section 1 shall be:
 - (a) in sufficient detail to show the cause, steps taken and result of each investigation; and
 - (b) maintained and available to the designated SRO upon request for a minimum of two years from the completion of the investigation.

III. SETTLEMENT AGREEMENTS

1. No registrant shall, without prior written consent of the Member, enter into any settlement with a customer, whether the settlement is in the form of monetary payment, delivery of securities, reduction of commissions or any other form, and whether the settlement is the result of a customer complaint or a finding by the individual or Member. Such prior written consent and the terms and conditions of such shall be kept on record by the Member.
2. Part III Section 1 shall not apply to any registrant authorized by the Member to negotiate or enter into settlement agreements in the normal course of his/her duties with respect to settlement agreements that do not arise out of activities involving the registrant.