



bulletin



Contact:

For distribution to relevant parties within your firm

Larry Boyce

Vice-President, Sales Compliance & Registration

416-943-6903

REVISED – October 9, 2007

lboyce@ida.ca

BULLETIN #3674

September 28, 2007

By-laws and Regulations

By-laws 38; Policy 6, Parts I and II - Chief Compliance Officer Qualifying Examination

The Board of Directors of the Association has approved amendments to By-law 38 and Policy 6, Part I requiring that all Chief Compliance Officers (CCOs) pass a qualifying examination. These provisions will be effective October 1, 2007. The examination will be administered by the CSI Global Education Inc. and has been available since May, 2007.

CCOs approved as of October 1, 2007 will have 18 months to pass the examination. Anyone applying for Approval as a CCO after October 1, 2007 who otherwise qualifies but has not completed the examination will be approved as an Acting CCO and will be required to pass the qualifying examination within 90 days.

It a Member fails to notify the Association of the successful completion of the examination by its CCO or Acting CCO within 10 days after the end of the time limits noted above, there is a late filing fee under Policy 6, Part I, Section 2B(e). The Board of Directors has established the following late filing fees for this purpose:

- \$100.00 per business day, to a maximum of \$1,000 in the first month the notice of completion is late,
- \$100.00 per business day, to a maximum of \$1,500.00, in the second month the notice of completion is late; and thereafter,
- \$100.00 per business day thereafter, with no maximum, until receipt of proof of completion.

Section 38.8 of the revised By-law 38 allows an exemption from the requirement where the Association is satisfied that the nature of the Member's business is such that the qualification is not relevant to the Member and that to do so would not be prejudicial to the interests of the Member, its clients, the public or the Association.

The exemption was designed for firms whose business does not raise any of the compliance issues associated with dealings with the public. Examples are Members that

only operate alternative trading systems or conduct proprietary trading only. The exemption applies to the Member. A CCO of an exempt Member would incur the requirement when moving to become CCO of a non-exempt Member.

A Member seeking the exemption must submit an application to the Registration Department in the Association office responsible for head office approvals, explaining why the Member believes the exemption would be appropriate and undertaking to advise the Association immediately of any change in its business operations that might reasonably be considered material to the continuation of the exemption.

These rule changes will ensure that each Member has a qualified CCO who can ensure that the Member complies with the complex business conduct regulations governing Members. Compliance with those regulations protects the public and helps maintain the integrity and reputation of the Canadian capital markets.

A copy of the amendments is attached.

Kenneth A. Nason
Association Secretary

INVESTMENT DEALERS ASSOCIATION OF CANADA

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada (“the Association”) hereby amends the By-laws, Regulations and Policies of the Associations, as follows:

By-law 38 – Responsibilities of the Chief Compliance Officer and Ultimate Designated

By-law 38 is amended by the addition of new sections 38.6, 38.7 and 38.8 as follows:

- 38.6 The Chief Compliance Officer shall have the qualification required pursuant to Policy 6, Part IA, Section 2B
- 38.7 Notwithstanding By-law 38.6, a Member may, with the Association’s approval, appoint an officer as Acting Chief Compliance Officer, if the Chief Compliance Officer suddenly terminates his or her employment with the Member and the Member is unable to immediately appoint another qualified person as chief compliance officer provided that, within 90 days of the termination of the previous Chief Compliance Officer:
- (i) the acting chief compliance officer successfully completes the Chief Compliance Officers Qualifying Examination and is approved by the Association as Chief Compliance Officer; or
 - (ii) another qualified person is appointed Chief Compliance Officer by the Member and is approved by the Association.
- 38.8 The Association may grant to a Member an exemption from By-law 38.6 where it is satisfied that the nature of the Member’s business is such that the qualification is not relevant to the Member and that to do so would not be prejudicial to the interests of the Member, its clients, the public or the Association. In granting such an exemption, it may impose such terms and conditions as it considers necessary.

The current By-laws 38.6 through 38.12 are re-numbered 38.9 through 38.15.

By-law No. 38

**RESPONSIBILITIES OF THE CHIEF COMPLIANCE OFFICER AND
ULTIMATE DESIGNATED PERSON**

38.1. Every Member shall designate its Chief Executive Officer, its President, its Chief Operating Officer or its Chief Financial Officer (or such other officer designated with the equivalent supervisory and decision-making responsibility) to act as the Ultimate Designated Person (the “UDP”) who shall be responsible to the applicable self-regulatory organization for the conduct of the firm and the supervision of its employees.

38.2 Where a Member is organized into two or more separate business units or divisions, a Member may designate a UDP for each separate business unit or division.

38.3 Every Member shall appoint an Alternate Designated Person (an “ADP”), who shall be so approved, to act as Chief Compliance Officer (the “CCO”).

38.4 Notwithstanding section 38.3, a Member may appoint the UDP to act as the CCO.

38.5 Where a Member is organized into two or more separate business units or divisions, a Member may designate a CCO for each separate business unit or division.

38.6 The Chief Compliance Officer shall have the qualification required pursuant to Policy 6, Part IA, Section 2B

38.7 Notwithstanding By-law 38.6, a Member may, with the Association’s approval, appoint an officer as Acting Chief Compliance Officer, if the Chief Compliance Officer suddenly terminates his or her employment with the Member and the Member is unable to immediately appoint another qualified person as chief compliance officer provided that, within 90 days of the termination of the previous Chief Compliance Officer:

- (i) the acting chief compliance officer successfully completes the Chief Compliance Officers Qualifying Examination and is approved by the Association as Chief Compliance Officer; or
- (ii) another qualified person is appointed Chief Compliance Officer by the Member and is approved by the Association.

38.8 The Association may grant to a Member an exemption from By-law 38.6 where it is satisfied that the nature of the Member’s business is such that the qualification is not relevant to the Member and that to do so would not be prejudicial to the interests of the Member, its clients, the public or the Association. In granting such an exemption, it may impose such terms and conditions as it considers necessary

38.9 Every Member shall also appoint as many additional ADPs as are necessary, given the scope and complexity of its businesses, who shall be partners, directors or officers of the Member.

38.10 The ADPs referred to in By-law 38.6 shall report to the UDP as necessary to ensure that the businesses of the Member are carried out in compliance with applicable self-regulatory by-laws, regulations, policies and forms.

38.11 The CCO shall report to the board of directors (or equivalent) of the Member as necessary but at least annually on the status of compliance at the Member.

38.12 The board of directors (or equivalent) shall review the report of the CCO and determine what actions are necessary and ensure such actions are carried out in order to address any compliance deficiencies noted in the report.

38.13 The UDP shall ensure that policies and procedures are developed and implemented which adequately reflect the regulatory requirements of the Member.

38.14 The CCO shall monitor adherence to the Member's policies and procedures as necessary to ensure that the management of the compliance function is effective and to provide reasonable assurance that standards of the applicable self-regulatory organization are met.

38.15 Every Member shall file with the applicable self-regulatory organization

(a) a copy of a governance document setting out the organizational structure and reporting relationships, which support the compliance arrangement set out above; and

(b) notice of any material changes to the organizational structure and reporting relationships as set out in paragraph (a).

Policy 6, Part I – Course and Examination Requirements

Policy 6, Part IA is amended by the addition of new sections 2B as follows:

2B. Chief Compliance Officers

The proficiency requirements for a chief compliance officer pursuant to By-law 38.6 are:

(a) Successful completion of the Partners, Directors and Senior Officers Qualifying Examination;

And

(b) Successful completion of the Chief Compliance Officers Qualifying Examination.

(c) Notwithstanding subsection (b) above, any person approved as Chief Compliance Officer with a Member as of October 1, 2007 shall have until April 1, 2009 to successfully complete the Chief Compliance Officers Examination in order to maintain approval as Chief Compliance Officer.

(d) A person approved as acting Chief Compliance Officer pursuant to By-law 38.7 shall have 90 days from the date of termination of the Chief Compliance Officer to successfully complete of the Chief Compliance Officers Qualifying Examination.

(e) Any Member that fails to provide to the Association proof of successful completion of the Chief Compliance Officers Qualifying Examination within 10 days of the dates specified for successful completion in paragraphs (c) or (d) above, or such other dates as the Association may specify, shall be liable for and pay to the Association such fees as the Board of Directors may from time to time prescribe.

INVESTMENT DEALERS ASSOCIATION OF CANADA
CHIEF COMPLIANCE OFFICER EXAMINATION
PROOF OF SUCCESSFUL COMPLETION – LATE FILING FEE

ORDER

WHEREAS the By-laws, Regulations and Policies of the Investment Dealers Association of Canada (“the Association”) require a Member to appoint a Chief Compliance Officer;

WHEREAS the By-laws, Regulations and Policies of the Association require the appointed Chief Compliance Officer (“CCO”) approved by the Association as of October 1, 2007 to complete the Chief Compliance Officer Examination (“CCO Examination”) no later than April 1, 2009.

WHEREAS the By-laws, Regulations and Policies of the Association require a Member to appoint an acting CCO to replace a qualified and approved CCO whose employment with the Member is suddenly terminated;

WHEREAS the By-laws, Regulations and Policies of the Association require the acting CCO to complete the CCO Examination within 90 days of the employment termination date of the CCO;

AND WHEREAS the By-laws, Regulations and Policies of the Association require the Member to pay to the Association such fees as the Board of Directors may prescribe for failing to provide to the Association proof of successful completion of the CCO Examination within 10 days of the specified completion date,

THE BOARD OF DIRECTORS of the Association hereby makes the following Order:

The late filing fee under Policy 6, Part IA, Section 2B(e) is:

\$100.00 per business day, to a maximum of \$1,000 in the first month the notice of completion is late,

\$100.00 per business day, to a maximum of \$1,500.00, in the second month the notice of completion is late; and thereafter,

\$100.00 per business day, with no maximum, until receipt of proof of completion.

SO ORDERED by the Board of Directors this 27th day of September, 2006, to be effective immediately upon the implementation of Policy 6, Part IA, Section 2B(e).