

## MEMBER REGULATION



# notice



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**MR0142**

May 23, 2002

**This Notice was superceded by MR0308, dated September 14, 2004.**

### ATTENTION:

Ultimate Designated Persons  
Chief Financial Officers  
Panel Auditors

### Distribute internally to:

- n Corporate Finance
- q Credit
- q Institutional
- q Internal Audit
- n Legal & Compliance
- q Operations
- n Registration
- q Regulatory Accounting
- q Research
- q Retail
- q Senior Management
- q Trading desk
- q Training

### Investor Notification and Approval Process

The Uniform Application For Investors has been replaced with two new forms: the Notification for Investors under 10% ("Investor Notification Form") and the Application for Investors holding or acquiring 10% or more ("Investor Application Form"). Please note the following filing requirements for the forms are for both Industry and Non-Industry Investors.

These changes are effective immediately.

**1. *Investor* applicants holding 10% or more shares in a non-public IDA Member firm:**

- As per Member Regulation Notice MR-074, approval by the Association is required for any transaction which will give an investor (alone or together with associates and affiliates) 10% or more ownership in a non-public IDA Member firm.
- To obtain this approval, an Investor Application Form must be submitted to the Association Secretary, along with a schedule of shareholders and a list of their holdings (with percentages) on opening and closing of each transaction.
- A 1-U-2000 must accompany the Investor Application Form unless the applicant is already registered with an IDA Member firm.
- Non-Industry Directors and Non-Industry Partners acquiring 10% or more of the voting shares are required to have completed the CSI-sponsored Partners, Directors and Senior Officers Qualifying Exam. (See IDA By-law 7.1(5), Bulletin No. 2999)
- Investors acquiring 10% or more of the voting shares and who are actively engaged in the business of the Member are also required to have completed the CSI-sponsored Partners, Directors and Senior Officers Qualifying Exam.

(See IDA By-law 7.1(6), Bulletin No. 2999)

2. Investor applicants holding less than 10% of shares in a non-public IDA Member firm:
  - As per Member Regulation Notice MR-074, holdings of less than 10% do not require approval. Instead notification to the Association Secretary is required through the submission of an Investor Notification form, accompanied by a schedule of shareholders and a list of their holdings (with percentages) on opening and closing of each transaction.
  - For the initial purchase, notification must be made to the Association Secretary, via the Investor Notification Form, along with a schedule of shareholders and a list of their holdings (with percentages) on opening and closing of each transaction to the Association Secretary. A 1-U-2000 is not required.
  - For each subsequent purchase that does not give the investor an accumulated holding of more than 10%, the Investor Notification form is not required. Instead, notification may be made via a letter to the Association Secretary, accompanied by a schedule of shareholders and a list of their holdings (with percentages) on opening and closing of each transaction.
3. Definition of Industry Investor
  - **Industry Investor** is defined in IDA By-law 1.1 as any Member or holding company of a Member corporation, any of the following who owns a beneficial interest in an investment in the Member or holding company:
    - (i) the Member's full-time officers and employees or the full-time officers and employees of a related company or affiliate of the Member which carries on securities related activities;
    - (ii) spouses of individuals referred to in clause (i);
    - (iii) an investment corporation, if:
      - (a) a majority of each class of the voting securities of the investment corporation is held by individuals referred to in clause (i); and
      - (b) all interests in all other equity securities of the investment corporation are beneficially owned by individuals referred to in clause (i) or (ii) or their children or by industry investors with respect to the particular Member or holding company;
    - (iv) a family trust established and maintained for the benefit of individuals referred to in clause (i) or (ii) or their children, if

- (a) full direction and control of the trust, including, without limitation, its investment portfolio and the exercise of voting and other rights attaching to instruments and securities contained in the investment portfolio, are maintained by individuals referred to in clause (i) or (ii); and
- (b) all beneficiaries of the trust are individuals referred to in clause (i) or (ii) or their children or industry investors with respect to the particular Member or holding company of a Member corporation