



## MEMBER REGULATION



# notice

ATTENTION:  
Ultimate Designated Persons  
Chief Financial Officers  
Panel Auditors

Please distribute internally to:  
Legal and Compliance  
Retail  
Senior Management

*Contact:*

Larry Boyce  
Vice-President, Sales Compliance & Registration  
416-943-6903  
lboyce@ida.ca

**MR0418**

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## Improper Sales Practices

CNQ has been recognized as a stock exchange and has applied for regulatory approval of the repeal of its Rule 10<sup>1</sup>. Rule 10 was passed when CNQ was a quotation and trade reporting system and deals with abusive sales practices previously used in connection with the distribution of junior, over-the-counter equities. These practices resulted in actions by the Ontario Securities Commission causing several dealers who operated primarily in that market to cease operation.

While the association has not seen any pattern of recurrence of such sales practices, in light of the possible repeal of CNQ's Rule 10 this notice is being issued as a reminder that such practices are contrary to IDA By-law 29.1 in general, and to other specific provisions of the By-laws and Regulations, particularly the suitability provisions of Regulation 1300.1. Furthermore, these practices are improper and constitute violations of IDA regulations whatever the instrument or market.

The practices in question include:

- Use of high pressure sales tactics in order to induce a person to buy, sell or hold a security or other investment product. Such tactics frequently feature the imparting of a sense of urgency in order not to miss out on an opportunity for profit, veiled promises of significant and immediate returns or hints of insider information on upcoming deals or announcements by the issuer.
- Taking advantage of a person's inability or incapacity to reasonably protect his or her own interest because of physical or mental infirmity, ignorance, illiteracy, age or inability to understand the character, nature or language of any matter relating to a decision to buy, sell or hold a security or other investment product.

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<sup>1</sup> See CNQ Notice 2006-004 – Proposed Repeal of Rule 10 in OSC Bulletin, Issue 29/29, July 21, 2006.

- Making of any statement which the dealer or registered representative knows or reasonably ought to know is false or misleading to induce a client to buy, sell or hold a security or other investment product.
- Employing a tiered or other sales forces structure that purports to relieve a person making recommendations directly or indirectly to a client from the obligation to ensure that the trade is suitable for the client.
- Reducing or retracting all or any portion of the sales commission paid or payable to a registered representative in connection with a sale of a security in the event the client to whom the security was sold resells it