

## RULE 16

### DEALER MEMBERS' AUDITORS AND FINANCIAL REPORTING

#### Panel of Dealer Members' Auditors

16.1. Each District Council shall select annually a panel of accounting firms. In addition, each District Council may at any time appoint one or more additional firms of accountants to or remove one or more firms of accountants from such panel. Except as otherwise provided by the [Rules](#), each Dealer Member shall select from the panel its own auditor and the fees and expenses in respect of each audit or examination shall be paid by the Dealer Member concerned.

#### Dealer Member Filing Requirements

16.2 Dealer Members subject to the Corporation's audit jurisdiction shall:

- (i) File monthly with the Corporation a copy of a financial report of the Dealer Member as at the end of each fiscal month or at such other date as may be agreed with the Corporation. Such monthly financial reports shall contain or be accompanied by such information as may be prescribed by the Corporation from time to time.
- (ii) File annually with the Corporation, two copies of the Dealer Member's audited financial statements, as defined in subsection 16.2(iii), as at the end of the Dealer Member's fiscal year or as at such other fixed date as may be agreed upon with the Corporation.
- (iii) The Dealer Member's financial statements shall be in such form, shall contain such information and shall be supplemented by such additional schedules as the Corporation may, from time to time, prescribe. The Dealer Member's financial statements shall be filed by the Dealer Member's Auditor within seven weeks of the date as of which the statements are required to be prepared, subject to the extension of time, if any, as the Corporation may grant, upon the request in writing of the Dealer Member's Auditor.
- (iv) In calculating the risk adjusted capital of a Dealer Member, the financial position of the Dealer Member may, with the prior approval of the Corporation, be consolidated (in a manner as set out below) with that of any [related company](#) of a Dealer Member provided that:
  - (a) Such [related company](#) is subject to all of the [Rules](#) of either the Corporation or the Bourse de Montréal Inc.; and
  - (b) The Dealer Member has guaranteed the obligations of such [related company](#) and the [related company](#) has guaranteed the obligations of the Dealer Member (such guarantee to be in a form acceptable to the Corporation and unlimited in amount).
- (v) The said consolidation permitted shall be carried out in accordance with the following rules or in such other manner as may be acceptable to the Corporation:
  - (a) Inter-company accounts between the Dealer Member and the [related company](#) shall be eliminated;
  - (b) Any minority interests in the [related company](#) shall be eliminated from the capital calculation; and
  - (c) Calculations with respect to the Dealer Member and the [related company](#) shall be as of the same date.

16.3. Repealed.

16.4. Repealed.

### **Dealer Members' Auditors**

- 16.5. The Dealer Member's Auditor shall conduct his or her examination of the accounts of the Dealer Member in accordance with generally accepted auditing standards and the scope of his or her procedures shall be sufficiently extensive to permit him or her to express an opinion on the Dealer Member's financial statements in the form prescribed in subsection 16.2(iii). Without limiting the generality of the foregoing, the scope of the examination shall, where applicable, include at least the procedures set out in Rule 300.
- 16.6. Every Dealer Member's Auditor for the purpose of any such examination shall be entitled to free access to all books of account, securities, cash, documents, bank accounts, vouchers, correspondence and records of every description of the Dealer Member being examined, and no Dealer Member shall withhold, destroy or conceal any information, document or thing reasonably required by the Dealer Member's Auditor for the purpose of his examination.

### **Compliance**

- 16.7. If at any time the District Council is of the opinion that the financial condition or conduct of the business of any Dealer Member has required excessive attention from the Corporation and that it would be in the interests of the Corporation that the Corporation be reimbursed by such Dealer Member, the District Council shall have the power to impose an assessment against such Dealer Member. Any decision of the District Council imposing an assessment shall be in writing and notice thereof shall be given promptly to the Dealer Member and the Corporation.
- 16.8. The Board of Directors may authorize the Corporation to enter into in its own name agreements or arrangements with any stock exchange, [self-regulatory organization](#), securities enforcement or regulatory authority or other organization regulating or providing services in connection with securities trading located in Canada or any other country for the exchange of any information (including information obtained by the Corporation pursuant to the [Rules](#) or otherwise in its possession) and for other forms of mutual assistance for market surveillance, investigation, enforcement and other regulatory purposes relating to trading in securities in Canada or elsewhere.
- 16.9. The Corporation, its officers, a District Council, or any other committee of the Corporation authorized by the Board of Directors may provide to any stock exchange, [self-regulatory organization](#), securities enforcement or regulatory authority or other organization regulating or providing services in connection with securities trading located in Canada or any other country any information obtained by the Corporation or any of the aforesaid persons or Councils pursuant to the [Rules](#) or otherwise in their possession and may provide other forms of assistance for surveillance, investigation, enforcement and other regulatory purposes relating to trading in securities in Canada or elsewhere.
- 16.10. Each Dealer Member shall be liable for and pay to the Corporation fees in the amounts prescribed from time to time by the Board of Directors for the failure of the Dealer Member, its auditors or any person acting on its behalf, to file any report, form, financial statement or other information required under this Rule 16 within the times prescribed by this Rule 16, the Board of Directors, the Corporation or the terms of such report, form, financial statement or other information, as the case may be.