

**INVESTMENT INDUSTRY REGULATORY  
ORGANIZATION OF CANADA  
("IIROC")**

**BOARD CHARTER**

**Introduction**

The mandate of IIROC is to

- (a) provide self-regulation of persons who are or were formerly (i) members of IIROC, (ii) the members, users or subscribers of or to marketplaces, (iii) other persons subject to the jurisdiction of IIROC , and (iv) the respective representatives of any of the foregoing; and
- (b) collect, process, distribute and publish information about the Canadian capital markets to the public,

in order to protect investors, foster investor confidence and enhance the fairness and efficiency of Canadian capital markets.

The Board of Directors of IIROC will oversee the appointment of a competent management team to manage the day-to-day operations of IIROC and will oversee and supervise the management of the business of IIROC by that team. The Board will oversee IIROC's systems of corporate governance and financial reporting and controls to ensure that IIROC reports adequate and fair financial information and engages in ethical and legal corporate conduct.

**Governance Framework**

IIROC is a self-regulatory body, acting in the public interest and subject to oversight by the Canadian Securities Administrators.

The Board is vested with all powers necessary for the management and administration of IIROC's regulatory and business operations. The Board has a function independent of management and is not responsible for the day-to-day affairs of IIROC. Rather, the Board should focus its energy and expertise on those critical strategic issues that will enhance the success of IIROC in achieving its mandate. In this regard, the Board has the responsibility to be informed, investigate and act as necessary to promote IIROC's regulatory mandate and to oversee the management of the financial and other affairs of IIROC, including its strategic planning, resource allocation, risk management, financial reporting policies and procedures, and effectiveness of internal controls and management information systems.

The Board should adopt governance structures and processes in order to support high ethical standards and integrity and superior organizational performance.

The composition and selection of the Board is described in IIROC's By-law No. 1.

## **Authority and Responsibilities of the Board**

Board members are responsible for the oversight of management and must exercise their business judgement on an informed basis, in good faith, and with the honest belief that the actions taken will serve the best interests of IIROC and its stakeholders. Board members are also responsible for ensuring that IIROC complies with its self-regulatory mandate to protect investors, foster investor confidence and enhance the fairness, integrity and efficiency of Canadian capital markets.

Board members are expected to:

- attend Board and Committee meetings;
- participate effectively in all Board and Committee deliberations;
- observe strict confidentiality of all matters presented to the Board or their appropriate Committee;
- raise possible conflicts of interest issues to the appropriate staff or the Corporate Governance Committee for prompt resolution; and
- act in the best interests of IIROC, consistent with their fiduciary duty.

Board members are expected to comply with the Code of Conduct for Directors ("Board Code"), which has been adopted to reflect a commitment to the highest standards of ethical and business conduct. Each director should become familiar with and abide by the specific ethical standards set forth in the Board Code, as well as any interpretations and procedures issued thereunder. Board members are encouraged to consult with IIROC's General Counsel if there is any doubt as to whether a particular transaction or course of conduct complies with or is subject to the Board Code.

The Board shall periodically review the allocation of powers between management and the Board, and determine whether these grants of authority are consistent with the changing needs of IIROC and its stakeholders.

## **Specific Responsibilities**

The Board's responsibilities include the following:

### *Appointment and Supervision of Management*

- Appoint the President and Chief Executive Officer (“**CEO**”) and senior vice presidents and provide them with advice and counsel.
- Review and approve the compensation philosophy and guidelines for establishing senior management compensation, including incentive awards and benefit plans.
- Monitor the performance of the CEO against a set of mutually agreed upon objectives and approve CEO compensation.
- Review the process that is in place with respect to the appointment, development, evaluation and succession of senior management.
- Review and approve the entering into by the Corporation of material contracts.
- Establish limits of authority delegated to management, including expenditure limits.
- Review and consider for approval all major organizational changes, and material amendments or departures proposed by management from established strategy, financial plan or matters of policy.

### *Governance, Strategic Planning and Risk Management*

- Review IIROC’s corporate governance model periodically to ensure that the model appropriately reflects the evolution of the Canadian capital markets and investment dealer industry.
- Review and approve any required changes in IIROC’s By-laws or Articles of Incorporation and any other matters requiring member or regulatory approval.
- Provide guidance to management on emerging trends and issues.
- Adopt a strategic planning process that includes a review of IIROC’s vision, mission, values and strategic goals.

- Review and approve annually IIROC's strategic and operating plans to ensure that they are consistent with the corporate vision and in compliance with IIROC's regulatory and legal obligations.
- Monitor the effectiveness of, and management's implementation of, IIROC's strategic and operating plans.
- Review the integrity and effectiveness of IIROC's internal controls and management information systems
- Ensure that IIROC has sufficient financial resources for the proper performance of its regulatory and other responsibilities.
- Oversee management's identification of the principal risks affecting IIROC's ability to fulfill its regulatory and other responsibilities and management's implementation of appropriate processes to manage those risks.

#### *Financial Management and Reporting*

- Review and approve IIROC's annual financial plan.
- Monitor financial results relative to established strategic and financial plans.
- Receive and approve annual and quarterly financial statements and review and oversee IIROC's compliance with applicable audit, accounting and financial reporting requirements.
- Review IIROC's fee model periodically to ensure that it is charging fees on a cost-recovery basis and the fee model otherwise continues to meet the requirements of all applicable recognition orders.

#### *Fiduciary and Legal Requirements*

- Review and confirm that IIROC is performing its regulatory and other functions in accordance with all applicable recognition orders and approvals.
- Adopt a code of conduct for directors and confirm that management has adopted a code of conduct for officers and employees and monitor compliance with these codes.
- Approve significant, in the determination of management, internal policies and procedures of IIROC.

*Disciplinary and Settlement Proceedings*

- Oversee IIROC's enforcement of rules, subject to the Code of Conduct.

## **Operation of the Board**

The Board will meet at least four times a year, or more frequently as it deems necessary to carry out its responsibilities.

The Chair and the CEO, with the support of the Corporate Secretary, will establish an agenda for each Board meeting. Board materials will be distributed to the Board on a timely basis and in advance of the Board meeting.

The Chair will oversee Board meetings to ensure that such meetings are conducted in an orderly fashion.

Board members are expected to attend and participate regularly in Board and Committee meetings consistent with general fiduciary standards and the governance requirements of IIROC.

An in camera session of all directors shall be held after every board meeting to offer the opportunity for all Board members (including the CEO) to meet without management as well as for the Board to meet without the CEO. The Chair shall report to the CEO and Corporate Secretary any actions taken during these in camera sessions.

The Board will appoint Board Committees to facilitate and assist in the execution of the Board's responsibilities. IIROC's Board Committees include the Corporate Governance, Finance, Audit and Risk and Human Resources and Pension Committees.

In discharging its responsibilities, the Board will have the authority to obtain, at IIROC's expense, advice and assistance from internal resources and external advisors or professionals it deems appropriate.