

## MEMBER REGULATION



INVESTMENT DEALERS  
ASSOCIATION OF CANADA

# notice



ASSOCIATION CANADIENNE DES  
COURTIERS EN VALEURS MOBILIÈRES

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**MR0308**

September 14, 2004

ATTENTION:  
Ultimate Designated Persons  
Chief Financial Officers  
Panel Auditors

**Distribute internally to:**

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

### Investor Notification and Approval Process

This Notice updates the procedure originally specified in MR Notice 074.

New versions of the Investor Application form and Investor Notification form are attached to this Notice and can be downloaded from the [Registration Guide section of the IDA's Web Page](#)

These changes are effective immediately.

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

- (a) As per Member Regulation Notice-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. This includes those investors who will acquire 10% or more ownership in a non-public IDA member firm and those who acquire 10% or more of the voting shares of an IDA member firm.
- (b) To obtain this approval the following must be submitted a minimum of 20 business days before the proposed transaction date, as specified in IDA By-law 17.12:
  - (i) 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.
  - (ii) An Initial Registration submission must be filed through NRD, for each individual who will hold 10% or more of a member firm's holdings, unless the individual is already registered with an IDA Member firm. The NRD Change or Surrender of Individual Categories submission is required for those currently approved persons with an IDA member firm, in order to obtain approval as a Shareholder / Industry Investor or Shareholder / Non-Industry Investor.

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Suite 2802, 1 Place Ville Marie, Montréal, Québec, H3B 4R4 Telephone: (514) 878-2854 Télécopieur: (514) 878-3860  
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- (iii) For Quebec residents, a completed I-U-2000 Form or a Form 33-109F4 must be submitted along with the Investor Application Form unless the person is already registered. A Change of Status Form is required in Quebec for those who individuals who are already approved.
- (c) 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 7.8(a)). Directors of holding companies are not required to complete this exam, even if the holding company owns 10% or more of the IDA member firm.
- (d) 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 7.8.(b))
- (e) As a reminder, a submission for Related Securities Change must be submitted via NRD for each Investor Applicant, after the share transaction is completed and the shares exchanged

**2. *Investor applicants holding less than 10% of shares in a non-public IDA Member firm:***

- (a) As per Member Regulation Notice-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.
- (b) 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. An NRD application for Initial Registration is not required
- (c) 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:***

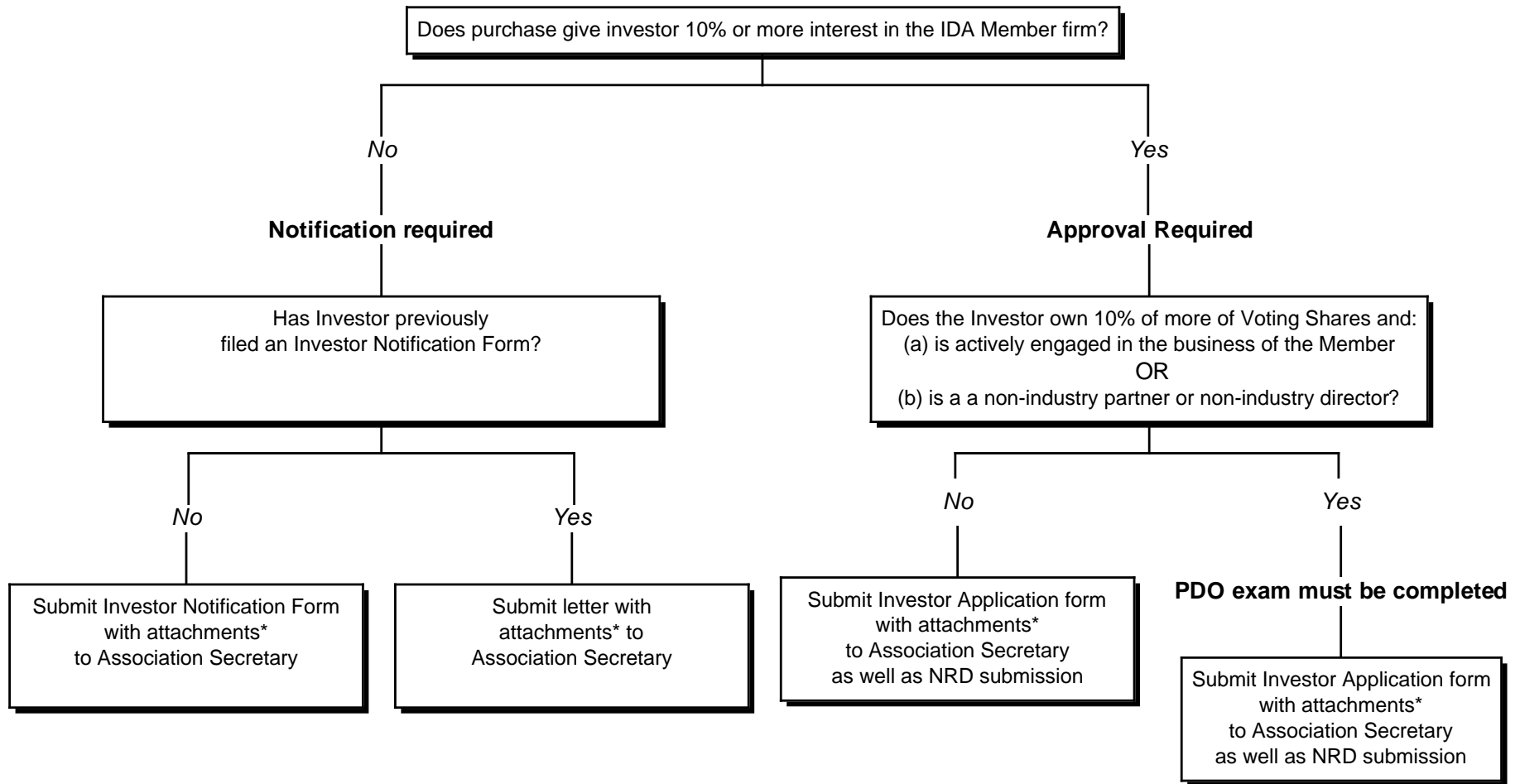
- (a) **Industry Investor** is defined in IDA By-law 1.1 as any Member or holding company of a Member corporation, or any of the following who owns a beneficial interest in an investment in the Member or holding company:
  - (i) the Member's full-time officers and employees or the full-time officers 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:

- (1) a majority of each class of the voting securities of the investment corporation is held by individuals referred to in clause (i); and
- (2) 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:
  - (1) 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
  - (2) 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

**4. *Changes to Holding Companies of Non-Public members***

- (a) Changes to the shareownership of a Member firm's holding company must also be reported to the IDA using the procedures outlined in (1) and (2) above, unless the holding company is a publicly-traded firm.

### Shareholder filing requirement - Decision Tree Diagram



\* Attachments consist of a schedule of shareholders and a list of their holdings (with percentages) upon the opening and closing of each transaction.