Appendix B: Enforcement Process Internal Sources Registration Department Compliance Departments [Business Conduct Compliance (BCC), Financial & Operations Compliance (FinOps), and Trading Conduct Compliance (TCC)] Trading Review & Analysis (TR&A) / Market Surveillance CASE ASSESSMENT Initial review to determine **Complaints & Inquiries** whether there is sufficient evidence of a breach of IIROC's (For more information, go to Appendix C) rules that warrants the opening of a formal investigation. **External Sources Public Complaints &** Referrals **ComSet Reports** To provincial securities **Referrals from Outside Agencies** commissions, other domestic (Securities Commissions, other SROs, or foreign regulators/agencies, police and other agencies) police if there is evidence of criminal activity. **IIROC's Whistleblower Service** (For more information, go to Appendix C) **INVESTIGATIONS** Collection, review of relevant evidence relating to the case. If the evidence can establish a breach of IIROC's rules, the matter will be forwarded to prosecutions. Close with no action or issue a Cautionary Letter

Appendix B: Enforcement Process

PROSECUTIONS

The initiation of formal disciplinary action against a Respondent (Dealer Member or individual registrant). The formal hearing will take place before an IIROC hearing panel, an expert administrative panel consisting of an independent chair from the legal community and two industry members.

Close with no action or issue a Cautionary Letter

DISCIPLINARY PROCEEDINGS

Contested Hearings

Settlement Hearings

Temporary Order Applications

Protective Order Applications

(For more information, go to Appendix D)

Use of Fines and Cost Awards

All fines collected can only be used for certain purposes as designated in the Canadian Securities Administrators' Recognition Orders of IIROC. This includes education or research projects that are in the public interest, the administration of disciplinary panels and/or the development of programs or systems to address emerging regulatory issues that relate to investor protection or the integrity of the capital markets. See Fine Collection Rates on page 21.

Pursuant to IIROC Rules, IIROC cost awards are used to pay for any costs incurred by IIROC in relation to its investigations and hearings.

PENALTIES

If a Dealer Member or individual registrant is found to have violated IIROC rules, the following penalties may be imposed:

FIRMS

A reprimand

Fines, up to a maximum of \$5 million per contravention or an amount equal to three times the profit made, or loss avoided

Imposition of conditions on membership

A period of suspension

Expulsion

INDIVIDUALS

A reprimand

Fines, up to a maximum of \$5 million per contravention or an amount equal to three times the profit made, or loss avoided

Imposition of conditions on registration

A period of suspension

A permanent ban