

**INVESTMENT INDUSTRY REGULATORY
ORGANIZATION OF CANADA
(IIROC[®])**

FINANCE, AUDIT and RISK COMMITTEE CHARTER

Mandate

The Finance, Audit and Risk Committee (the “Committee”) is appointed by the Board of IIROC and charged with assisting the Board in its oversight of (a) the integrity of IIROC’s accounting and financial reporting processes, (b) the qualifications, independence and performance of IIROC’s external and internal auditors, (c) IIROC’s processes relating to its internal control systems and security of information and (d) IIROC’s policies and processes for risk management.

Membership

The Committee shall consist of at least five directors, including a nominee of TSX (to the extent required pursuant to TSX’s Regulation Services Agreement) and a majority of Independent Directors. Each member of the Committee will be financially literate, as such qualification is interpreted by the Board in its business judgment, or become financially literate within a reasonable time after appointment to the Committee. At least one member of the Committee will have accounting or related financial management expertise, and at least one member of the Committee shall have risk management expertise, as such qualifications are interpreted by the Board in its business judgment.

Members of the Committee will be appointed by the Board for one year terms upon the recommendation of the Corporate Governance Committee. The Chair of the Committee will be elected by the Members of the Committee and shall be an Independent Director.

Organization

The Committee will meet at least four times a year, or more frequently as it deems necessary to carry out its responsibilities. Meetings of the Committee may be called by the Chair or a majority of the members of the Committee. A majority of the Committee members will constitute a quorum and the act of a majority of the Committee members present at any meeting at which a quorum is present will be the act of the Committee.

Attendance by invitation at all or a portion of Committee meetings is determined by the Committee Chair or its members, and would normally include the Chief Executive Officer, the Chief Financial Officer, the Chief Information Officer, the Senior Vice President Enforcement, Registration and Enterprise Risk, and the Vice President, Enterprise Risk and Project Management and such other officers or support staff as may be deemed appropriate.

The Committee will meet privately in separate sessions with senior management, the auditors and the senior internal audit executive and will meet without management present as necessary or appropriate. The Committee is authorized to request information from the CEO or any officer or employee of IIROC or its outside legal counsel or independent auditors or to request that any such persons attend a meeting of the Committee or meet with any members of, or advisors to, the Committee.

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

The Committee has the authority to make recommendations to the Board, but does not have decision-making authority unless such authority is specifically provided by resolution of the Board.

The Committee will periodically report to the Board and will report each year with respect to the activities of the Committee in compliance with this charter. It will assess the adequacy of this charter annually and may propose changes to the Board for approval. On a biennial basis, the Committee will review its own performance and report the results to the Board.

Specific Responsibilities

The Committee's specific responsibilities include the following:

Oversight of External Audit Activities

- (1) Recommend to the Board the appointment of, oversee the work of, evaluate the qualifications, performance and independence of, and determine compensation for the independent external auditor. In evaluating the performance of the auditor, the Committee will evaluate the performance of the auditor's lead partner and will consider whether the provision of non-audit services is compatible with maintaining the auditor's independence. The Committee will present its conclusions with respect to the auditor to the Board.
- (2) Review and approval of the annual audit plan, including proposed audit scope, focus areas, timing, staffing and key decisions underlying the audit plan (i.e., materiality), as well as appropriateness and reasonableness of proposed audit fees.
- (3) Meet with external auditors not less frequently than annually.
- (4) Review significant communications from the auditor including material unadjusted items and the management letter to be issued.
- (5) Review the findings of the audit, including: an assessment of critical accounting policies and practices in use and the impact of any new reporting or accounting requirements; alternative accounting treatments of financial information within generally accepted accounting principles that have been discussed with management and the treatment preferred by the auditor and report on this review to the Board.
- (6) Ensure that the underlying accounting policies, disclosure and key estimates are considered to be the most appropriate in the circumstances, within the range of acceptable alternatives.
- (7) Review with the auditor any problems or difficulties in auditing IIROC's financial statements and management's responses.

- (8) Facilitate open communications among the auditor, management, any internal audit function and the Board.
- (9) Review annually and report to the Board the external auditor's report of the market surveillance systems and the Debt Information Processor system.
- (10) Pre-approve all audit services and permitted non-audit services (including the fees, terms and conditions for the performance of such services) to be provided by the external auditor. When appropriate the committee may delegate to one or more committee members or to management the authority to grant preapprovals of audit and permitted non-audit services and the full committee shall review the preapprovals at its next scheduled meeting.

Financial Reporting

- (1) Review quarterly financial statements and any financial forecasts, including management reports and analysis of key variances, for submission to the Board.
- (2) Review and discuss with management and the auditor the Company's annual audited financial statements and review with them any significant financial reporting issues and judgments made in connection with the preparation of such statements, including IIROC's critical accounting principles and any significant changes to those principles or their application, the effect of off-balance sheet structures on IIROC's financial statements, and material or non-financial arrangements that do not appear in IIROC's financial statements.
- (3) Review and discuss with management and the auditor IIROC's annual financial disclosures including management's discussion and analysis. The committee shall approve such disclosures for inclusion in the Annual Report and make recommendations thereon to the Board.

Oversight of Internal Controls

- (1) Periodically review the adequacy of internal controls and inquire on the practices and procedures of IIROC that enable management's reliance on internal control systems and report or make recommendations to the Board thereon.
- (2) Review with management, the external auditor, and the internal auditor any major issues as to the adequacy of IIROC's internal controls, any special steps adopted in light of material control deficiencies and the adequacy of disclosures about internal controls over financial reporting.

Oversight of Risk Management

- (1) At least annually review and approve IIROC's risk management program, inclusive of IIROC's risk appetite, risk tolerance and risk policy statements, the charter of management's Risk Committee, and the guiding principles that underpin and support a risk-aware culture.
- (2) At least annually, review and discuss IIROC's significant risk exposures, associated controls and control deficiencies, and the steps management has taken or proposes to take to monitor and control or mitigate such risk exposures and to address such control deficiencies. For clarity, the

Committee's responsibilities relative to oversight of significant risks include risks identified by management as well as risks raised by external parties, and risks associated with areas for which other Board committees provide operational oversight.

- (3) Review and approve, as appropriate, management's proposed treatment for any risks deemed to be outside of IIROC's risk tolerance.
- (4) Periodically assess whether IIROC has implemented an appropriate risk management and internal control culture.
- (5) Review reports from the Internal Audit Function service provider, in its capacity as the third line of defence, relating to the adequacy of IIROC's procedures and controls to manage its risk exposure, together with management's responses relating to the effectiveness of IIROC's programs, procedures and controls to manage its risk exposure.
- (6) Annually review IIROC's insurance coverage and recommend to the Board for approval.
- (7) Annually obtain reports from management confirming that all employees have signed and adhered to IIROC's Code of Conduct which includes confirmation of compliance with IIROC's risk management policies.
- (8) Review management's reports on any litigation matters that could materially affect the financial statements or operations of IIROC.

Oversight of Internal Audit Function

- (1) Recommend to the Board for approval the engagement, and where appropriate the termination of the third party service provider for performance of the Internal Audit Function, who shall have direct access to the Committee.
- (2) At least annually review and approve the Internal Audit Charter.
- (3) At least annually review and assess the performance, qualifications, skills and resources, as well as independence of the service provider performing the Internal Audit Function. In evaluating the performance of the Internal Audit Function service provider, the Committee will also evaluate the performance of the lead partner. In evaluating the independence of the Internal Audit Function service provider, the Committee will consider whether the provision of non-internal audit services is compatible with maintaining the Internal Audit service provider's independence.
- (4) At least annually, review and approve the audit plan of the Internal Audit Function, including the areas to be audited, as well as estimated fees, and ensure that the work of the external auditor and the Internal Audit Function is coordinated.
- (5) Review the periodic reports on internal audit activities, including audit findings, recommendations and progress in meeting the annual audit plan.

- (6) Pre-approve all internal audit services and permitted non-internal audit services (including the fees, terms and conditions for the performance of such services) to be provided by the Internal Audit Function service provider. When appropriate the Committee may delegate to one or more Committee members or to management the authority to grant preapprovals of internal audit and permitted non-internal audit services and the full Committee shall review the pre-approvals at its next scheduled meeting.

Oversight of the Finance Function

- (1) Review the annual operating and capital budgets for submission to the Board for approval.
- (2) Periodically review IIROC's fee model to ensure that it continues to meet the requirements of the relevant Recognition Orders.
- (3) Periodically review the allocation of costs, to ensure that IIROC operates on a cost recovery basis and that such costs are allocated equitably.
- (4) Periodically review the Procurement, Cash disbursements approval, and Investment Policies.
- (5) Review and approve changes to the risk tolerance limits for the defined benefit plans.
- (6) Annually review and approve the adequacy of the cumulative reserves.
- (7) At least annually, review the performance evaluation of the Chief Financial Officer.
- (8) Meet privately with the Chief Financial Officer at the conclusion of each committee meeting.

Other Responsibilities

- (1) Review procedures for the confidential receipt, retention and treatment of complaints or concerns regarding accounting or auditing matters or internal controls and for the protection from retaliation of those who report such complaints or raise such concerns in good faith.
- (2) Periodically review the decision making process for major projects.
- (3) Conduct or oversee, as appropriate, inquiries into any matter brought to its attention within the scope of its duties.
- (4) Periodically review the adequacy of security of information, information systems and recovery plans.