

# INVESTMENT INDUSTRY REGULATORY ORGANIZATION OF CANADA (“IIROC”)

## CODE OF CONDUCT FOR DIRECTORS

### Purpose of Code of Conduct

The Board of Directors of IIROC is committed to the highest standards of honesty, integrity, ethics and business conduct. The Board believes that operating according to these standards is critical to protect the interests of IIROC and its stakeholders, including the general investing public. Accordingly, the Board adopts this Code of Conduct (the “Code”) to reflect its commitment to these standards.

### Accountability

IIROC is a self-regulatory body, acting in the public interest and subject to oversight by the Canadian Securities Administrators, who require IIROC to articulate and ensure a clear public interest mandate for its regulatory functions. IIROC's By-Laws and Board Charter set out the mandate of IIROC, the framework, the authority and responsibility of the Board. In exercising their powers and discharging their duties with respect to the aforementioned, Directors are required to:

- a. act honestly and in good faith with a view to IIROC’s best interest;
- b. exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances;
- c. exercise respectful recognition of the diversity of backgrounds, skills, experience and points of view of others; and
- d. maintain a positive and professional environment free of harassment or discrimination of any kind.

### Applicability and Scope

The Code is applicable to all Directors of IIROC. In addition, all Directors must comply with the IIROC policies and other documents listed in Appendix “A”. Directors who also serve as officers or employees of IIROC must also comply with all provisions of the IIROC employee Code of Conduct. Although this Code provides standards of conduct for many situations, it does not cover all possible situations that may arise. Accordingly, all Directors are expected to conduct themselves in a manner consistent with the spirit and letter of this Code and avoid even the appearance of improper behaviour.

### Conflicts of Interest

A. In exercising their powers and in discharging their duties in accordance with IIROC’s By-Laws, Board Charter, the provisions of the *Canada Not-for-profit Corporations Act* and the common law, every Director of IIROC shall:

- (A) ensure that their personal interest, as well as the interests of their employer or any other entity in which they have an interest or loyalty are not brought into conflict with their duty to IIROC; and
- (B) ensure that they do not obtain or receive, directly or indirectly, a personal profit, gain

or benefit (other than fees paid to Independent Directors for so acting) as a result of their relationship with IIROC.

B. In discharging the general duty of undivided loyalty to IIROC, every Director shall disclose to IIROC, in writing or by requesting to have it entered in the minutes of the meetings of Directors or of meetings of committees of Directors, the nature and extent of any interest that they have in a material contract or material transaction, whether entered into or proposed, with IIROC, if the Director or an immediate family member:

- a. is a party to the contract or transaction;
- b. is a director or officer, or an individual acting in a similar capacity, of a party to the contract or transaction; or
- c. otherwise has a material interest in a party to the contract or transaction.

The disclosure shall be made at the meeting at which the proposed contract or transaction is first considered. If the Director was not interested at the time of the first meeting, they must declare their interest in a proposed contract or transaction at the first meeting they become so interested. If the Director becomes interested after a contract or transaction is entered into, they must declare their interest in the contract or transaction at the first meeting they become so interested. If an individual who is interested in a contract or transaction later becomes a Director, they must declare their interest in the contract or transaction at the first meeting they attend after becoming a Director.

In addition, such Director shall retire from the meeting, if required by the Board, while the discussion of the material contract or transaction or proposed material contract or transaction is taking place and shall refrain from voting on the subject under consideration, but this shall not prevent the Board from calling them into the meeting to answer any questions regarding the matter under discussion nor shall it release the Director from their obligation to inform the Board of what they know of the situation and of any concerns.

If a material contract or material transaction, whether entered into or proposed, is one that, in the ordinary course of IIROC's business, would not require approval by the Directors or shareholders, a Director shall disclose, in writing to IIROC or request to have it entered in the minutes of the meetings of Directors or of meetings of committees of Directors, the nature and extent of the Director's interest immediately after the Director becomes aware of the contract or transaction.

It may, however, be impractical for a Director or officer who serves as a director or officer of another entity or who has a material interest in another entity, to know that the entity is entering into a material contract or transaction with IIROC (and to give notice of such Director's interest in every such material contract or transaction). A general notice to the Board declaring that a Director is to be regarded as interested in any contract or transaction entered into with a party will be a sufficient declaration of such Director's interest in relation to any future contract or transaction entered into with such parties. A Director shall disclose if there is a material change in the nature of their interest in the party.

C. If a Director

- a. is a director, officer or employee of any entity who is a party, or

- b. employs a person who is a party, or
- c. otherwise has any direct personal interest or indirect interest (as a result of the personal interests of a member of their family or an organization affiliated with them) in a party to an investigation, disciplinary hearing or settlement or other proceeding involving IIROC,

such Director (i) shall refrain from discussing such investigation, disciplinary hearing or settlement proceeding, at any Board meeting, (ii) must disclose to the Board such involvement in connection with any discussion of the investigation, disciplinary hearing or settlement proceeding at any Board meeting, and (iii) is prohibited from discussing the investigation, disciplinary hearing or settlement proceeding with the management of IIROC.

A Director considering or discussing employment opportunities with a regulated entity is deemed to be affiliated with that regulated entity.

### **Gifts**

No Director should accept a gift, benefit or entertainment from a regulated entity or vendor if the gift, benefit or entertainment is being offered, or might be perceived to be offered, to influence their actions as a Director of IIROC. Directors should also be mindful that giving a gift, benefit or entertainment to entities or individuals may give rise to a real or perceived conflict. This is especially so in the situation where such a gift, benefit or entertainment is of greater than nominal value.

### **IIROC Disciplinary and other Legal Proceedings**

The Board will not receive information pertaining to, and will not discuss, any specific disciplinary proceedings (including related settlement negotiations) undertaken by IIROC (except as specified below), until the terms of any disciplinary action have been made public by IIROC in accordance with the terms of its recognition orders.

For greater certainty, IIROC management may present, and the Board may discuss, statistical information relating to current disciplinary and settlement proceedings for the purposes of allocating resources and assessing operational performance. In addition, once the terms of any particular settlement or disposition of any particular disciplinary action have been made public by IIROC, the Board may discuss such matters, as it deems appropriate.

### **Director as Witness**

Directors shall not appear as a witness for a Respondent in an IIROC disciplinary proceeding, a related review or appeal thereof, or any other civil or regulatory proceedings related to facts or issues in which IIROC has an interest unless,

- a. they are compelled by law to do so; or
- b. they are testifying as a fact witness, with personal knowledge of specific events and circumstances related to the case.

For greater clarity, Directors are not to appear as a character or expert witness in any legal proceedings referred to above.

A Director shall provide advance notice to IIROC's General Counsel in the event that they will be giving evidence as permitted above.

### **Confidentiality**

Directors have a fiduciary duty to maintain the confidentiality of all confidential and proprietary information of IIROC and of those whom IIROC regulates or with whom IIROC does business. Unauthorized disclosure of confidential information can severely damage the reputations of IIROC and those to whom the confidential information relates. A Director's duty of confidentiality continues even after the Director no longer serves on the Board.

Confidential information includes all non-public information regarding the activities, investigations, enforcement actions and other affairs of IIROC. If in doubt about whether information is confidential, a Director should assume all information acquired in the course of their activities and duties as a Director is confidential unless otherwise stated or the Director has consulted with IIROC's General Counsel.

Directors must not make unauthorized disclosure of confidential information or use it for purposes other than those for which it was disclosed except as required by law. It is also critical that no advantage is taken, or perceived to be taken, of any information that may exist within IIROC, or to which a Director may become a party as a result of his tenure on the Board. Without limiting the generality of the foregoing, Directors must take all reasonable steps to protect confidential information, including the following:

- a. controlling access to confidential information;
- b. discussing confidential information with others only in the necessary course of business, and in doing so, exercising due care;
- c. not discussing confidential information in public places;
- d. refraining from trading on the basis of confidential information;
- e. keeping documents containing confidential information secure and taking steps to secure sensitive information when it is unattended;
- f. safeguarding documents being taken away from IIROC's premises;
- g. determining whether documents containing confidential information should be shredded or otherwise destroyed prior to disposal; and
- h. not sharing confidential information about the affairs and activities of IIROC (for example, with any person that is or may be, seeking to provide products or services to IIROC, or is a party to an investigation or enforcement proceeding, or may have a material interest in a person that is a part to an investigation or enforcement proceeding).

## **Outside Activities, Appointments and Qualifications**

Directors should disclose to the Chair and the CEO and, if necessary, discuss with IIROC's General Counsel any proposed activity or appointment which might interfere with, or appear to interfere with, their ability to exercise independent judgement in matters pertaining to IIROC.

In order for General Counsel to ensure that an Independent, Marketplace or Dealer Director continues to satisfy their qualifications for appointment pursuant to IIROC's By-laws:

- (a) each Independent Director must advise General Counsel of the following:
  - I. any change in employment status;
  - II. any external directorship appointments; and
  - III. any change in status of any of their associates (as defined below); and
  
- (b) each Marketplace or Dealer Director must advise General Counsel of any changes in employment status with the relevant Marketplace Member or Dealer Member, as applicable.

Independent Directors should consult the Independent Director Qualification questionnaire for guidance on the factors that are relevant to assessing independence. For the purposes of (a)(iii) above, an "associate" of a person means:

- a. a partner of that person;
- b. any relative of that person who resides in the same home as that person;
- c. any person who resides in the same home as the person and to whom that person is married or with whom that person is living in a conjugal relationship outside of marriage; or
- d. any relative of a person mentioned in (c), who has the same home as that person.

## **Board Solidarity**

The Board speaks with one voice and its decisions shall be supported by all Directors even if the Director has abstained or voted against a motion implementing a Decision, Policy or Rule. Directors shall avoid criticism of their fellow Directors, the Board, Management or IIROC in the event that they disagree with the majority decision.

Should a Director feel strongly about a decision such that they cannot support the Board, Management and IIROC in the decision they should resign from the Board.

## **Dealing with the Media, Articles and Public Speaking Engagements**

IIROC is committed to providing, as appropriate, full and prompt disclosure to the media of material developments and events as they relate to its activities. IIROC's policy is that all communication with the media is "On the Record". However, all media relations and inquiries are to be coordinated through the CEO. Directors should not comment on any inquiry from the media relating to the activities of IIROC (without prior discussion with the CEO) and should refer any inquiries to the

CEO.

IIROC stakeholders have an interest in the views of Directors. Even when Directors do not attribute their views to IIROC, stakeholders may feel that a Director's public comments reflect IIROC's views. For this reason, particular care must be taken by Directors who propose to disclose their relationship with IIROC in connection with a speaking engagement or written comment related to the securities industry or the Canadian capital markets generally. In such cases, the Director must provide IIROC with prior notice of such proposed speaking engagement or written comment for approval by the Board Chair and the CEO.

Even when Directors do not propose disclosing their relationship with IIROC in connection with a proposed speaking engagement related to the securities industry or the Canadian capital markets generally, they must not contradict IIROC's publicly stated Policies, Rules or Regulations.

### **Social Media Activities**

Directors should exercise care when participating in social media, including blogs, newsgroups, public wikis and social networking sites such as Facebook, Twitter and LinkedIn, to ensure that no personal statements, opinions or beliefs are attributed to IIROC or conflict with IIROC Policy, Rules or Regulations.

Directors should not comment or by implication be seen to comment on IIROC's business in social media or post content, information or conversations from an IIROC e-mail address unless in the course of their duties as a Director and expressly approved by IIROC.

### **Compliance with Code and Accountability**

All Directors must become familiar with, and abide by, this Code, including the policies and other documents listed in Appendix "A", and any interpretations and procedures issued hereunder.

Directors shall report suspected violations of the Code or of any applicable law, rule or regulation by any Director or employee to IIROC's General Counsel who, after inquiry, shall report to the CEO and/or Chair if they believe a violation may have occurred. Retaliation in any form against an individual who reports a suspected violation in good faith, even if the report is mistaken, or who assists in the investigation of a reported violation, is not permitted. Any act or threatened act of retaliation should be reported immediately to IIROC's General Counsel.

In the event of a suspected violation of the Code, the Board, or an appropriate committee thereof, shall determine whether to conduct an investigation and what appropriate action should be taken in the event that the Board, or a Board committee, determines that a violation of the Code has occurred. Each Director shall consult with IIROC's General Counsel if there is any doubt as to whether a particular transaction or a course of conduct complies with or is subject to this Code.

# Appendix “A” – Other Policies

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By agreeing to comply with this Code, you are agreeing to comply with certain sections of other policies and documents listed in this Appendix (the “Director Policies”), subject to the interpretive notes below. The General Counsel is available to provide further assistance in interpreting the application of the Director Policies to Directors. The Director Policies are available on Boardvantage.

Interpretive notes:

1. A Director is deemed to be a “User” under each of the Director Policies.
2. The Director Policies apply solely to a Director’s use of:
  - a. the iPad that they use to access their IIROC e-mail address;  
and
  - b. their IIROC e-mail account for *confidential* IIROC matters,
 and do not apply to any other IIROC IT Assets (as defined in the Director Policies) or a Director’s use of a non-IIROC e-mail account for non-confidential IIROC matters.
3. Any references to the employee *Code of Conduct* in the Director Policies will be read as references to this Code.
4. The General Counsel will fulfill the responsibilities of the “User’s Manager” under the Director Policies.
5. Notwithstanding references in the Director Policies to other IIROC employee policies, other than the Director Policies there are no other IIROC employee policies that apply to Directors.

Policies and Other Documents	Applicable Sections and Clarifying Information
Acceptable Use Policy	<ul style="list-style-type: none"> <li>• 1 – Introduction</li> <li>• 2 – Scope</li> <li>• 3 – Definitions</li> <li>• 4 – Policy Statement</li> <li>• 5 – Use of IIROC Assets</li> <li>• 5.1.1 – Information Protection and Storage</li> <li>• 5.1.3 – Disposal of Information and Assets</li> <li>• 5.2 – Internet</li> <li>• 5.4 – E-mail,</li> <li>• 5.5 – Mobile Devices (first paragraph only)</li> <li>• 5.8 – Information Security Incident Response</li> </ul>

Incident Response Policy	All sections.
<b>Policies and Other Documents</b>	<b>Applicable Sections and Clarifying Information</b>
Password Construction and Maintenance Guidance	All sections other than 4.6 and 4.7  Directors may use secure “password locker” applications on their personal devices to store IIROC passwords.
Remote Access Policy	All sections  With respect to Two-factor authentication, the digital certificate associated with the Director’s IIROC iPad constitutes the Security Token.