The Ontario Securities Commission

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Securities Act of Ontario (R.S.O. 1990, c.S.5) and the
Commodity Futures Act of Ontario (R.S.O. 1990, c.C.20)

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Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

AUGUST 13, 2004

CURRENT PROCEEDINGS

BEFORE

ONTARIO SECURITIES COMMISSION

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Unless otherwise indicated in the date column, all hearings will take place at the following location:

The Harry S. Bray Hearing Room
Ontario Securities Commission
Cadillac Fairview Tower
Suite 1700, Box 55
20 Queen Street West
Toronto, Ontario
M5H 3S8

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Robert L. Shirriff, Q.C.	—	RLS
Suresh Thakrar	—	ST
Wendell S. Wigle, Q. C.	—	WSW

SCHEDULED OSC HEARINGS

August 17, 2004 2:30 p.m.	**Andrew Currah, Colin Halanen, Joseph Damm, Nicholas Weir, Penny Currah and Warren Hawkins** s. 127 J. Waechter in attendance for Staff Panel: SWJ
August 19, 2004 11:00 a.m.	**W. Jefferson T. Banfield** s. 127 J. Superina in attendance for Staff Panel: SWJ/ST
August 24, 2004 (on or about) 10:00 a.m.	**Brian Anderson and Flat Electronic Data Interchange ("F.E.D.I.")** s. 127 K. Daniels in attendance for Staff Panel: HLM/RLS
September 20-22, 2004 10:00 a.m.	**Brian Peter Verbeek** and Lloyd Hutchison Ebenezer Bruce s. 127 K. Manarin in attendance for Staff Panel: TBD
September 29, 2004 10:00 a.m. September 30, 2004 and October 1, 2004 2:00 p.m. October 4, 5, 13-15, 2004 10:00 a.m.	**Cornwall *et al*** s. 127 K. Manarin in attendance for Staff Panel: HLM/RWD/ST

October 18 to 22, 2004 November 2, 3, 5, 8, 10-12, 15, 17, 19, 2004 10:00 a.m.	**ATI Technologies Inc., Kwok Yuen Ho, Betty Ho, JoAnne Chang, David Stone, Mary de La Torre, Alan Rae and Sally Daub** s. 127 M. Britton in attendance for Staff Panel: SWJ/HLM/MTM
October 31, 2004 (on or about) 10:00 a.m.	**Mark E. Valentine** s. 127 A. Clark in attendance for Staff Panel: TBD
November 24-25, 2004 10:00 a.m.	Brian Peter Verbeek and **Lloyd Hutchison Ebenezer Bruce** s. 127 K. Manarin in attendance for Staff Panel: TBD
January 24 to March 4, 2005, except Tuesdays and April 11 to May 13, 2005, except Tuesdays 10:00 a.m.	**Philip Services Corp. *et al*** s. 127 K. Manarin in attendance for Staff Panel: PMM/RWD/ST
May 30, June 1, 2, 3, 6, 7, 8, 9 and 10, 2005 10:00 a.m.	**Buckingham Securities Corporation, David Bromberg*, Norman Frydrych, Lloyd Bruce and Miller Bernstein & Partners LLP (formerly known as Miller Bernstein & Partners)** s. 127 J. Superina in attendance for Staff Panel: TBD * David Bromberg settled April 20, 2004

ADJOURNED SINE DIE

Global Privacy Management Trust and Robert Cranston

Robert Walter Harris

Andrew Keith Lech

S. B. McLaughlin

Livent Inc., Garth H. Drabinsky, Myron I. Gottlieb, Gordon Eckstein, Robert Topol

1.1.2 OSC Staff Notice 11-735 IOSCO and International Joint Forum Publish Reports on Outsourcing of Financial Services for Public Comment

OSC STAFF NOTICE 11-735

IOSCO AND INTERNATIONAL JOINT FORUM PUBLISH REPORTS ON OUTSOURCING OF FINANCIAL SERVICES FOR PUBLIC COMMENT

On August 2, 2004, Standing Committee 3 of the International Organization of Securities Commissions (IOSCO) published for public comment a Consultation Report, *Principles on Outsourcing of Financial Services for Market Intermediaries*. The Consultation Report proposes a set of principles designed to assist regulated entities in determining the steps they should take when considering outsourcing activities. The Consultation Report also contains some principles to assist securities regulators in addressing outsourcing in their regular risk reviews of firms.

A copy of the Consultation Report is reproduced in the OSC Bulletin following this Notice and has been posted on the IOSCO website at www.iosco.org (Public Document No. 171) and on the Ontario Securities Commission's website at www.osc.gov.on.ca (International Affairs – Current Consultations). The public is invited to submit comments on this Consultation Report by September 20, 2004 to mail@oicv.iosco.org. Please include in the email subject line "Public Comment on *Principles on Outsourcing of Financial Services for Market Intermediaries*". Additional instructions on how to submit comments by email, fax or mail are included in the Consultation Report.

We encourage the Canadian investment industry to provide comments. The Commission, and some members of IOSCO Standing Committee 3, will also be surveying industry participants in their respective jurisdictions for factual information regarding current outsourcing practices. The form of the survey is also available on the IOSCO website (Public Document No. 171).

The Consultation Report will be revised and finalized after consideration of all comments received from the public and all information gathered through the surveys conducted by IOSCO members.

On August 2, 2004, the International Joint Forum[1] also released for public consultation its report on *Outsourcing in Financial Services*. This report, which proposes high level principles aimed collectively at the banking, insurance and securities sectors, was prepared in coordination with IOSCO's Consultation Report focusing on outsourcing in the securities sector. The public is invited to submit comments on this report by September 20, 2004 to baselcommittee@bis.org. Please include in the subject line "Public Comment on *Outsourcing in Financial Services*".

The International Joint Forum's report has been posted on IOSCO's website at www.iosco.org (Public Document No. 172) and the Commission's website at www.osc.gov.on.ca (International Affairs – Current Consultations). The Commission is a member both of IOSCO Standing Committee 3 and the International Joint Forum.

The report can also be found via the website of the Office of the Superintendent of Financial Institutions (OSFI) (www.osfi-bsif.gc.ca). OSFI notes that the principles are consistent with Guideline B-10**,** *Outsourcing of Business Activities, Functions and Processes*. OSFI is a member of the International Joint Forum. A notice that this document is available for comments has been posted on its website under "consultation Papers".

The International Joint Forum and IOSCO will continue to work together to achieve an appropriate level of consistency across their reports and principles. Furthermore, IOSCO SC3 is also in the process of consulting both with emerging market regulators through the IOSCO Emerging Markets Committee's Working Group on Financial Intermediaries and with self-regulatory organizations (SROs) through IOSCO's SRO Consultative Committee.

More information about IOSCO, the International Joint Forum and the Commission's participation in these organizations can be found on the Commission's website at www.osc.gov.on.ca (International Affairs – Who's Who).

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[1] The Basel Committee on Banking Supervision, the International Association of Insurance Supervisors and IOSCO established the Joint Forum in 1996. It focuses on issues of common interest to the three financial sectors. Because it brings together regulators from different financial sectors and countries, the International Joint Forum is particularly interested in: (1) identifying core regulatory principles that are common to all three sectors; (2) identifying differences in regulation across the sectors; (3) assessing the potential for these differences to lead to regulatory gaps, or regulatory arbitrage; and (4) examining the supervision of large, complex financial groups, such as financial services firms that operate in several sectors and countries.

Questions may be referred to:

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Principles On Outsourcing Of Financial Services For Market Intermediaries

A Consultation Report of the International Organization of Securities Commissions Standing Committee 3 on Market Intermediaries

August 2004

This report is for public consultation purposes only and it has not been approved by the IOSCO Technical Committee or any of its member securities commissions. Any final report will be submitted to the IOSCO Technical Committee for approval at the conclusion of the consultation process.

Preamble

The IOSCO Technical Committee Standing Committee 3 on Market Intermediaries has published for public consultation this Consultation Report on *Principles on Outsourcing of Financial Services for Market Intermediaries*. The Consultation Report sets out a set of principles that are designed to assist regulated entities in determining the steps they should take when considering outsourcing activities. The Consultation Report also contains some broad principles to assist securities regulators in addressing outsourcing in their regular risk reviews of firms. Some members of IOSCO's Standing Committee on Market Intermediaries will be surveying industry participants in their respective jurisdictions for information regarding current outsourcing practices. The Consultation Report will be revised and finalized after consideration of all comments received from the public and all information gathered through the surveys conducted by IOSCO members. The form of the survey also is available on the IOSCO website. After the consultation process, the IOSCO Technical Committee's Standing Committee on Market Intermediaries will submit a final report on *Principles on Outsourcing of Financial Services for Market Intermediaries* to the IOSCO Technical Committee for approval.

How to Submit Comments

Comments may be submitted by one of three methods. To help us process and review your comments more efficiently, please use only one method.

Important: *All comments may be made available to the public unless the respondent requests that they be kept confidential.*

1. E-mail

- Send comments to mail@oicv.iosco.org.
- The subject line of your message must indicate "Public Comment on *Principles*

on Outsourcing of Financial Services for Market Intermediaries."

- If you attach a document, indicate the software used (e.g., WordPerfect, Microsoft WORD, ASCII text, etc.) to create the attachment.

- DO NOT submit attachments as HTML, PDF, GIF, TIFF, PIF, ZIP, or EXE files.

OR

2. Facsimile Transmission

Send by facsimile transmission using the following fax number: 34 (91) 555 93 68.

OR

3. Paper

Send 3 copies of your paper comment letter to:

Philippe Richard
IOSCO Secretary General
Oquendo 12
28006 Madrid
Spain

Your comment letter should indicate prominently that it is a "Public Comment on *Principles on Outsourcing of Financial Services for Market Intermediaries*."

IOSCO STANDING COMMITTEE 3
Consultation Report on Principles on Outsourcing[1] of Financial Services for Market Intermediaries

I. Introduction

The volume of activities that regulated market intermediaries ("outsourcing firms" or "firms") outsource to third party service providers ("service providers") continues to increase. For purposes of this paper, "outsourcing" is defined as an event in which a regulated outsourcing firm contracts with a service provider for the performance of any aspect of the outsourcing firm's regulated or unregulated functions that could otherwise be undertaken by the entity itself.[1] It is intended to include only those services that were or can be delivered by internal staff and management.[2] As discussed in Section II, the service provider may be a related party within a corporate group, or an unrelated outside entity. The service provider may itself either be regulated (whether or not by the same regulator with authority over the outsourcing entity), or may be an unregulated entity.[3]

The utilization of outsourcing by the financial services industry can provide a number of substantial benefits. For example, it may permit financial firms to obtain necessary expertise at a lower cost than might be possible by hiring internal staff, and permits firms to focus on their core business. By lowering costs, outsourcing may also permit smaller firms and start-up companies to break into the market and increase market competition.

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1 In this paper, "outsourcing" is limited to the initial transfer of a function from a regulated entity to a service provider. Further transfers of a function (or a part of that function) from one third-party service provider to another are referred to herein as "subcontracting." In this connection, please note that in some jurisdictions, the initial outsourcing is also referred to as subcontracting.

2 The Federal Reserve Bank of New York incorporated this concept in the definition of outsourcing by stating that it should include only those services that were "previously delivered by internal staff and management." Thus, certain supply arrangements, such as the provision of electricity and water, while perhaps critical to the functioning of the financial services industry, are beyond the scope of "outsourcing" covered in this paper.

3 In a study published by the Federal Reserve Bank of New York, the authors found that initially, outsourcing in the financial services industry was limited to, activities that were relatively tangential to the firm's primary business, such as payroll processing. In recent years, however, outsourced activities have included information technology, accounting, audit, electronic funds transfer, investment management and human resources. The most frequently outsourced activity, according to a survey of commercial institutions cited by the Federal Reserve Bank of New York, is some aspect of information technology (*e.g.,* desktop support). Next in importance is business process outsourcing, such as human resource functions. *See Outsourcing Financial Services Activities Industry Practices to Mitigate Risks*, Federal Reserve Bank of New York, October 1999.

Outsourcing also poses a number of challenges, however, both for financial firms that choose to undertake such a strategy, and for the regulators of such firms. With respect to the financial firm, transferring a function to a third party may have a detrimental impact on the firm's understanding of how the function is performed, with a consequent loss of control. The lack of control over a firm's proprietary and customer-related information and software may also hinder the ability of an outsourcing firm to maintain its proprietary and customer-related information and software, and may also impact on the confidentiality of customer records. There is the potential that the inappropriate selection of a service provider may lead to a business disruption, with negative consequences for the outsourcing firm's customers, and, in certain instances, the potential for systemic risk to the market as a whole.

Principle 23 of the Objectives and Principles for Securities Regulation requires that the issues identified above be addressed because it states that "Market intermediaries should be required to comply with standards for internal organizations and operational conduct that aim to protect the interests of clients, ensure proper management of risk, and under which management of the intermediary accepts primary responsibility for these matters". The Objectives and Principles also note that "Effective policies and operational procedures and controls in relation to the firm's day-to-day business operations should be established." *See id.* at §12.5.

Outsourcing poses important challenges to the integrity and effectiveness of financial services regulatory systems. First, where outsourcing takes place by regulated entities, a firm's control over the people and processes dealing with the outsourced function will decrease. Nonetheless, regulators require the outsourcing firm, including its board of directors and senior management, remains fully responsible (towards clients and regulatory authorities), for the outsourced function as if the service were being performed in house.[4] In some jurisdictions, as discussed below, regulators impose restrictions on the outsourcing of certain functions where they believe the outsourcing introduces an unacceptable risk or it is so intrinsic to the function of an intermediary. Second, regulators expect that they will have complete access to books and records concerning an outsourcing firm's activities, even if such documents are in the custody of the firm's service provider. Regulators must also take account of possible operational and systemic risks that may exist in the event that multiple regulated entities use a common service provider.

II. Fundamental Precepts

A. Materiality of Outsourcing

The following Principles set out the regulators' expectations for outsourcing firms. These principles should be applied according to the degree of materiality of the business activity. Even where the activity is not material, the outsourcing firm should consider the appropriateness of applying the principles.

For areas of business activity that are not restricted by the regulator, the outsourcing firm should develop a process for determining the materiality of outsourcing arrangements. The assessment of what is material is often a subjective one and depends on the circumstances of the particular outsourcing firm. Factors to be considered include, but are not limited to:

- Financial impact on the outsourcing firm of the failure of a service provider to perform,
- Reputation impact on the outsourcing firm of the failure of a service provider to perform,
- Operational impact on the outsourcing firm of the failure of a service provider to perform,
- Potential impact of outsourcing on the provision of adequate services to an outsourcing firm's customers,
- Potential losses to an outsourcing firm's customers on the failure of a service provider to perform,
- Impact of outsourcing the activity on the ability and capacity of the outsourcing firm to conform with regulatory requirements and changes in requirements,
- Cost,
- Affiliation or other relationship between the outsourcing firm and the service provider,
- Regulatory status of the service provider; and
- Degree of difficulty and time required to select an alternative service provider or to bring the business activity in-house, if necessary.

B: Accountability and Scope of Outsourcing

The outsourcing firm, its management and its governing authority retain full legal liability and accountability to the regulator for any and all functions that the firm may outsource to a service provider to the same extent as if the service were provided in-house. In this regard, the relevant regulator may impose sanctions and penalties on regulated entities in its jurisdiction for violations of statutory and regulatory requirements that resulted in whole or in part from the failure of a service provider (whether licensed or unlicensed) to perform its contractual obligations for the outsourcing firm.

4 *Id.*

Accordingly, management and the governing authority of the outsourcing firm should develop and implement appropriate policies designed to achieve satisfaction of these Outsourcing Principles, periodically review the effectiveness of those policies, and address outsourcing risks in an effective and timely manner. Outsourcing firms should also be aware of and comply with local mechanisms that may have been put in place to implement these Principles. Such mechanisms may take the form of government regulation, regulations imposed by non-government statutory regulators, industry codes or practices, or some combination of these items. Whatever level of outsourcing is utilized, outsourcing firms remain responsible for conducting due diligence (*see* topic 1).

The outsourcing firm must retain the competence and ability to be able to ensure that the firm complies with all regulatory requirements. Accordingly, with respect to the outsourcing of key regulated functions, such as risk management, both firms and regulators will need to consider how and whether such functions may be outsourced consistent with this expectation. Moreover, outsourcing must not be permitted to impair the regulator's ability to exercise its statutory responsibilities, such as the proper supervision and audit of the firm.

Regulators should also consider the implications that the use of unlicensed service providers may have on the regulator's ability to supervise properly securities activities in their jurisdiction. Such concerns may be heightened in instances where the outsourcing firm delegates to the service provider the authority to act in the name of the outsourcing firm.

C. Outsourcing to Affiliates

While the Outsourcing Principles apply regardless of whether such outsourcing is performed by an affiliated entity of a corporate group or by an entity that is external to the corporate group, the risks associated with outsourcing activities to an affiliated entity within a corporate group may be different than those encountered in outsourcing to an unaffiliated external service provider. In certain cases, risks may not be as pronounced within an affiliated group. For example, there may be an ability by the outsourcing firm to control the actions of the service provider, and the outsourcing firm may have a high familiarity with the service provider's business attributes. Such factors might reduce the risks involved in outsourcing. However, intra-group outsourcing may be less than an arm's –length relationship, and the outsourcing firm (and its customers) may have different interests than the affiliated service-provider. Moreover, in some cases, the intra-group relationship may as a practical matter restrict the outsourcing firm's ability to control the service provider. These factors may increase the potential risk in certain instances. Accordingly, while it is necessary to apply the Outsourcing Principles to affiliated entities, it may be appropriate to adopt them with some modification.

D. Outsourcing on a Cross-Border Basis

The Outsourcing Principles apply to functions that are outsourced within the jurisdiction in which the outsourcing firm maintains a presence, as well as on a cross-border basis. However, with respect to outsourcing on a cross-border basis, there may be additional concerns that are raised which may not necessarily be present with respect to cases where the service provider is in the same jurisdiction as that of the outsourcing firm. For example, in the event of an emergency, it may be more difficult to monitor and control the function that was outsourced, or to implement appropriate responses in a timely fashion. Moreover, the use of a foreign service provider may necessitate an analysis of the economic, social or political conditions that might adversely impact the service provider's ability to perform effectively for the outsourcing firm.

In light of these concerns, outsourcing on a cross-border basis may raise additional issues that should be addressed during the due diligence process (*see* topic 1), as well as during the implementation of a contract with a foreign service provider (*see* topic 2). Special consideration and procedures may be necessary with respect to other issues relating to the use of a foreign service provider – for example, as discussed in topic 7, there may be particular concerns with the provision of books and records maintained in a foreign jurisdiction, as well as issues relating to the translation of such books and records.

III. Outsourcing Principles

Topic 1: Due diligence in selection and monitoring of service provider and service provider's performance

Principle: An outsourcing firm should conduct suitable due diligence processes in selecting an appropriate third party service provider and in monitoring its ongoing performance.

It is important that outsourcing firms exercise due care, skill, and diligence in the selection of third party service providers, so that they can be satisfied that the third party service provider has the ability and capacity to undertake the provision of the service effectively.

The outsourcing firm should also establish appropriate processes and procedures for monitoring the performance of the third party service provider. In determining the appropriate level of monitoring processes and procedures, the outsourcing firm should consider the materiality of the outsourced activity to the ongoing business of the outsourcing firm and its regulatory obligations, as discussed in the introduction to these Principles.

Means for Implementation

It is expected that outsourcing firms will implement appropriate means, such as the following, for ensuring that they select suitable service providers and that service providers are appropriately monitored, having regard to the services they provide:

- Documenting processes and procedures that enable the outsourcing firm to assess, prior to selection, the third party service provider's ability and capacity and ability to perform the outsourced activities effectively, reliably, and to a high standard, including the service provider's technical, financial and human resources capacity, together with any potential risk factors associated with using a particular service provider.

- Documenting processes and procedures that enable the outsourcing firm to monitor the third party service provider's performance and compliance with its contractual obligations, including processes and procedures that:

  - Clearly define metrics that will measure the service level, and specify what service levels are required; and

  - Establish measures to identify and report instances of non-compliance or unsatisfactory performance to the outsourcing firm as well as the ability to assess the quality of services performed by the service provider on a regular basis (*see also* topic 2).

- Implementing processes and procedures designed to help ensure that the service provider is in compliance with applicable laws and regulatory requirements in its jurisdiction, and that where there is a failure to perform duties required by statute or regulations, the outsourcing firm, to the extent required by law or regulation, reports the failure to its regulator and/or SRO and takes corrective actions.[5] For example, procedures may include:

  - The use of service delivery reports and the use of internal and external auditors to monitor, assess, and report to the outsourcing firm on performance.

  - The use of written service level agreements or the inclusion of specific service level provisions in contracts for service to achieve clarity of performance targets and measurements for third party service providers.

- With respect to outsourcing on a cross-border basis, in determining whether the use of a foreign service provider is appropriate, the outsourcing firm may, with respect to a function that is material to the firm, need to conduct enhanced due diligence that focuses on special compliance risks, including the ability to effectively monitor the foreign service provider, and the ability to execute contingency plans and exit strategies where the service is being performed on a cross-border basis.

Topic 2: The contract with a service provider

Principle: There should be a legally binding written contract between the outsourcing firm and each third party service provider, the nature and detail of which should be appropriate to the materiality of the outsourced activity to the ongoing business of the outsourcing firm.

A legally binding written contract between an outsourcing firm and a service provider is an important management tool and appropriate contractual provisions can reduce the risks of non-performance or disagreements regarding the scope, nature, and quality of the service to be provided. A written contract will help facilitate the monitoring of the outsourced activities by the outsourcing firm and/or by securities regulators.

The level of detail of the contents of the written contract should reflect the level of monitoring, assessment, inspection and auditing required, as well as the risks, size and complexity of the outsourced services involved.

Means for Implementation

Outsourcing firms are expected to have a written, legally binding contract, appropriate to the materiality of the outsourced activity to the ongoing business of the firm, between the outsourcing firm and the third party service provider. The contract may include, as applicable, provisions dealing with:

- Limitations or conditions, if any, on the service provider's ability to sub-contract, and, to the extent subcontracting is permitted, obligations, if any, in connection therewith;

- Client confidentiality (see also Topic 4);

- Defining the responsibilities of the outsourcing firm and the responsibilities of the service provider and how such responsibilities will be monitored;

[5] Such a requirement is consistent with regulations in many IOSCO jurisdictions requiring that a firm notify its regulator with respect to any breaches of law that may have occur.

- Responsibilities relating to IT security (see also Topic 3);
- Payment arrangements;
- Liability of the service provider to the outsourcing firm for unsatisfactory performance or other breach of the agreement;
- Guarantees and indemnities;
- Obligation of the service provider to provide, upon request, records, information and/or assistance concerning outsourced activities to the outsourcing firm, its auditors and/or its regulators (see Topic 7: Intermediary's and regulator's access to books and records, including rights of inspection);
- Mechanisms to resolve disputes that might arise under the outsourcing arrangement;
- Business continuity provisions (*see* topic 3);
- With respect to outsourcing on a cross-border basis, choice of law provisions;
- Termination of the contract, transfer of information and exit strategies (*see also* Topic 6: termination procedures).

Topic 3: Information Technology Security and Business Continuity at the Outsourcing Provider

Principle: The outsourcing firm should take appropriate measures to determine that:

(a) procedures are in place to protect the outsourcing firm's proprietary and customer-related information and software; and

(b) its service providers establish and maintain emergency procedures and a plan for disaster recovery, with periodic testing of backup facilities.

Effective and reliable information technology systems are fundamental to the ongoing business of securities firms. The June 2001 IOSCO Internet Task Force Report confirms that a breakdown in information technology capacity that impairs access to markets can compromise the trading and the financial position of investors. Security breaches can undermine investors' privacy interests, and have a damaging effect on an outsourcing firm's reputation, which may ultimately cause a loss of market confidence and impact on the overall operational risk profile of the firm. Moreover, robust IT security is particularly important where details of client assets or the assets themselves might be vulnerable to unauthorized access. Accordingly, outsourcing firms should seek to ensure that service providers maintain appropriate IT security and, when appropriate, disaster recovery capabilities. As part of its reviews of these matters, an outsourcing firm should also take into account whether additional issues are raised when the outsourcing is performed on a cross-border basis.

Means for Implementation

Outsourcing firms are expected to take appropriate steps to require, in appropriate cases based on the materiality of the function that is being outsourced, that service providers have in place a comprehensive IT security program. These steps may include:

- Specification of the security requirements of automated systems used by the service provider, including the technical and organizational measures that will be taken to protect customer-related data. Appropriate care should be exercised to ensure that IT security protects the privacy of the outsourcing firm's customers as mandated by law.
- Requirements that the service provider maintain appropriate measures to ensure security of both the outsourcing firm's software as well as any software developed by the service provider for the use of the outsourcing firm.
- Specification of the rights of each party to change or require changes to security procedures and requirements and of the circumstances under which such changes might occur.
- Provisions that address the service provider's emergency procedures and disaster recovery and contingency plans as well as any particular issues that may need to be addressed where the outsourcing firm is utilizing a foreign service provider. Where relevant, this may include the service provider's responsibility for backing up and otherwise protecting program and data files, as well as regulatory reporting.
- Where appropriate, terms and conditions relevant to the use of subcontractors with respect to IT security, and appropriate steps to minimize the risks arising out of such subcontracting.
- Where appropriate, requirement of testing by the service provider of critical systems and back-up facilities on a periodic basis in order to review the ability of the service providers to perform adequately even under unusual physical and/or market conditions at the

outsourcing firm, the service provider, or both, and to determine whether sufficient capacity exists under all relevant conditions;

- Requirement of disclosure by the service provider of breaches in security resulting in unauthorized intrusions (whether deliberate or accidental, and whether confirmed or not) that may affect the outsourcing firm or its customers, including a report of corrective action taken; and

- Provisions in the outsourcing firm's own contingency plans that address circumstances in which one or more of its service providers fail to adequately perform their contractual obligations. Where relevant, this may include regulatory reporting.

Topic 4: Client Confidentiality Issues

Principle: The outsourcing firm should take appropriate steps to require that service providers protect confidential information regarding the outsourcing firm's clients from intentional or inadvertent disclosure to unauthorized individuals.

Unauthorized disclosure of confidential customer information could have a number of negative consequences. Such unauthorized disclosure could result in the disclosure of private and sensitive information about individuals who have a reasonable expectation of privacy, and might also result in a material financial loss to a firm's customers. In addition to the potential harm to a firm's customers, an unauthorized disclosure could also result in the outsourcing firm having financial liability to its customers and/or its regulators, possibly affecting the firm's solvency. Where appropriate, regulators may choose to review the protections that are in place between the outsourcing firm and the service provider, and, in addition, may choose to review the measures that are in place between a service provider and its agents that may have an impact on the data and/or its use, so that there are no unauthorized disclosures among the various service providers.

Means for Implementation

Regulated firms that engage in outsourcing are expected to take appropriate steps to confirm that confidential customer information is not misused or misappropriated. Such steps may include provisions in the contract with the service provider:

- Prohibiting the service provider and its agents from using or disclosing the outsourcing firm's proprietary information or that of the firm's customers, except as necessary to provide the contracted services.

- Where appropriate, including terms and conditions relevant to the use of subcontractors with respect to client confidentiality.

Outsourcing firms should consider whether it is appropriate to notify customers that customer data may be transmitted to a service provider, taking into account any regulatory or statutory provisions that may be applicable.

Regulators should seek to become aware of whether outsourcing firms within their jurisdiction are taking appropriate steps to monitor their relationships with service providers with respect to the protection of confidential customer information.

Topic 5: Concentration of Outsourcing Functions

Principle: Regulators should be cognizant of the risks posed where one outsourcing service provider provides outsourcing services to multiple regulated entities.

Where multiple outsourcing firms use a common service provider, operational risks are correspondingly concentrated, and may pose a threat of systemic risk. For example, if the service provider suddenly and unexpectedly becomes unable to perform services that are critical to the business of a significant number of regulated outsourcing firms, each of the regulated entities will be similarly disabled. A latent flaw in the design of a product or service that multiple outsourcing firms rely upon – *e.g.*, computer software – may affect all of those firms. A vulnerability in application software relied upon by multiple outsourcing firms may permit an intruder to disable or contaminate the systems or data of some or all of those entities. Alternatively, if multiple outsourcing firms depend upon the same provider of business continuity services (*e.g.*, a common disaster recovery site), a disruption that affects a large number of those entities may result in a lack of capacity for the business continuity services. Each of these scenarios may result in follow-on effects on markets that depend on participation by the outsourcing firms, or on public confidence.

Means for Implementation

Regulators should consider the following means for addressing concentration risk:

- Taking steps, including, where appropriate, a monitoring program and/or a risk assessment methodology, to become aware of cases where significant proportions of their regulated entities rely upon a single outsourcing firm to provide critical functions. This may include the collection of routine information on outsourcing arrangements from outsourcing firms and/or service providers in the jurisdiction. In this regard, regulators should be cognizant of the potential that subcontracting of a particular function may result in

concentration risk (where the concentration occurs at the subcontractor level).

- Tailoring their examination programs or related activities in light of concentrations of outsourcing activity.

Where a regulator has identified a possible concentration risk issue, outsourcing firms should consider taking steps to ensure, to the degree practicable, that the service provider has adequate capacity to meet the needs of all outsourcing firms, both during normal operations as well as unusual circumstances (*e.g.*, unusual market activity, physical disaster, etc.)

Topic 6: Termination Procedures

Principle: Outsourcing with third party service providers should include contractual provisions relating to termination of the contract and appropriate exit strategies.

Where an activity is outsourced, there is an increased risk that the continuity of the particular activity in terms of daily management and control of that activity, information and data, staff training, and knowledge management, is dependent on the service provider continuing in that role and performing that function. This risk needs to be managed by an agreement between the firm and the service provider taking into account factors such as when an arrangement can be terminated, what will occur on termination and strategies for managing the transfer of the activity back to the firm or to another party.

Means for Implementation:

Outsourcing firms are expected to take appropriate steps to manage termination of outsourcing arrangements. These steps may include provisions in contracts with service providers such as the following:

- Termination rights, *e.g.,* in case of insolvency, liquidation or receivership, change in ownership, failure to comply with regulatory requirements, or poor performance;

- Minimum periods before an announced termination can take effect to allow an orderly transition to another provider or to the firm itself, and to provide for the return of the third party's data, and any other resources;

- The clear delineation of ownership of intellectual property following the contract's termination, and specifications relating to the transfer of information back to the outsourcing firm.

Topic 7. Regulator's and Intermediary's Access to Books and Records, Including Rights of Inspection.

Principle: The regulator, the outsourcing firm, and its auditors, should have access to the books and records of service providers relating to the outsourced activities and the regulator should be able to obtain promptly, upon request, other information concerning activities that are relevant to regulatory oversight.

As set forth in IOSCO Principle 12.7, the regulator should have the right to inspect books and records of regulated entities. Accordingly, regulators should be able, upon request, to obtain promptly any books and records pertaining to the regulated activity, irrespective of whether they are in the possession of the outsourcing firm or the third party service provider, and to obtain additional information concerning regulated activities performed by the service provider. A regulator's access to such books and records may be direct or indirect, though the outsourcing firm should always maintain direct access to such books and records. This may include a requirement that the books and records be maintained in the regulator's jurisdiction, or that the service provider agrees to send originals or copies of the books and records to the regulator's jurisdiction upon request. Moreover, in order to facilitate the regulator's access to books and records as well as to maintain orderly business operations of the outsourcing firms, arrangements between outsourcing firms and service providers should seek to ensure that the outsourcing firms have appropriate access to books and records and other information where it is in the custody of a third party.

Means for Implementation:

Outsourcing firms are expected to take steps to ensure that they and their regulators have access to books and records of service providers concerning outsourced activities, and that their regulators have the right to obtain, upon request, other information concerning the outsourced activities. These steps may include the following:

- Contractual provisions by which the outsourcing firm (including its auditor) has access to, and a right of inspection of, the service provider's books and records dealing with outsourced activities, and similar access to the books and records of any subcontractor. Where appropriate, these may include physical inspections at the premises of the service provider, delivery of books and records or copies of books and records to the outsourcing firm or its auditor, or inspections that utilize electronic technology (*i.e.*, "virtual inspections.").

- Contractual provisions by which the service provider is required to make books, records, and other information about regulated activities by the service

provider available to the regulator upon request and, in addition, to comply with any requirements in the outsourcing firm's jurisdiction to provide periodic reports to the regulator.

Regulators should consider implementation of appropriate measures designed to support access to books, records and information of the service provider about the performance of regulated activities. These measures may include:

- Where appropriate, taking action against outsourcing firms for the failure to provide books and records required in that jurisdiction, without regard to whether the regulated entity has transferred possession of required books and records to one or more of its service providers.

- Imposing specific requirements concerning access to books and records that are held by a service provider and which are necessary for the authority to perform its oversight and supervisory functions with respect to regulated entities in its jurisdiction. These may possibly include requiring that records be maintained in the regulator's jurisdiction, allowing for a right of inspection, or requiring that the service provider agree to send originals or copies of the books and records to the regulator's jurisdiction upon request

1.1.3 Notice of Commission Approval – Proposed By-law 40 Regarding Individual Approvals, Notifications and Related Fees and National Registration Database and Proposed Consequential Amendments to IDA By-laws 4, 7 and 18, Regulations 1800 and 1900

THE INVESTMENT DEALERS ASSOCIATION OF CANADA (IDA)

PROPOSED BY-LAW 40 REGARDING INDIVIDUAL APPROVALS, NOTIFICATIONS AND RELATED FEES AND NATIONAL REGISTRATION DATABASE AND PROPOSED CONSEQUENTIAL AMENDMENTS TO IDA BY-LAWS 4, 7 AND 18, REGULATIONS 1800 AND 1900

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission (OSC) approved proposed IDA by-law 40 regarding individual approvals, notifications and related fees and national registration database and proposed consequential amendments to IDA by-laws 4, 7 and 18 and regulations 1800 and 1900. In addition, the Alberta Securities Commission (ASC) approved and the British Columbia Securities Commission (BCSC) did not object to the proposed amendments. The proposed by-law 40 and consequential amendments to IDA by-laws 4, 7 and 18 and regulation 1800 and 1900 are designed to mandate the use of the NRD and make approval requirements consistent with it. A copy and description of the proposed amendments were published on February 21, 2003 at (2003) 26 OSCB 1739. No comments were received. The proposed amendments that were approved by the OSC and the ASC and non-objected to by the BCSC are reproduced in Chapter 13 of this Ontario Securities Commission Bulletin.

1.3 News Releases

1.3.1 OSC Releases Costs Decision in the Matter of First Federal Capital (Canada) Corporation and Monte Morris Friesner

FOR IMMEDIATE RELEASE
August 5, 2004

OSC RELEASES COSTS DECISION IN THE MATTER OF FIRST FEDERAL CAPITAL (CANADA) CORPORATION AND MONTE MORRIS FRIESNER

TORONTO – The Commission released its reasons for decision relating to an award of costs today in the matter of First Federal Capital (Canada) Corporation and Monte Morris Friesner. The Commission had previously ruled on the merits of Commission Staff's case against First Federal and Friesner, releasing reasons for decision on February 3, 2004.

Commission Staff had requested that First Federal and Friesner pay costs of its investigation and hearing in the amount of $32,332.60. The Commission reviewed the evidence submitted in support of this request, and determined that the proper quantum of costs in this case was $20,000.

Copies of the Commission's reasons for decision on this issue, as well as the reasons for its decision on the merits, are available on the OSC website at **www.osc.gov.on.ca**.

For Media Inquiries: Wendy Dey
Director, Communcations
416-593-8120

For Investor Inquiries: OSC Contact Centre
416-593-8314
1-877-785-1555 (Toll Free)

1.3.2 OSC General Counsel Appointment: Monica Kowal

FOR IMMEDIATE RELEASE
August 9, 2004

OSC GENERAL COUNSEL APPOINTMENT: MONICA KOWAL

TORONTO – Charlie Macfarlane, Executive Director of the Ontario Securities Commission (OSC), is pleased to announce that Monica Kowal has joined the OSC as General Counsel.

"Monica has a rare combination of skills that will serve her well in her new functions at the OSC," said Mr. Macfarlane. "Her technical expertise in securities and corporate law, her industry perspective coloured by her experience in public policy development, specifically as it applies to capital markets regulation, and her international experience make Monica a terrifically suited candidate for the position. We are happy to welcome Monica to the OSC."

Monica was previously a Partner at Blake, Cassels & Graydon LLP, where as a member of the Blake securities group, she was involved in securities and corporate law, acting as general counsel to a number of clients. Monica was also a member of the Blakes team retained to provide advice to the OSC on the national harmonization effort.

Monica was admitted to the Ontario Bar in 1991. She holds a B.A. (Economics) from the University of Toronto (1991), an LL.M. from the University of Tübingen, Germany (1988) and an LL.B. from the University of Toronto (1987).

The General Counsel's Office is an in-house legal and policy resource, providing senior legal advice and assistance on operational, transactional and regulatory issues to the Chair, Commission and staff. The Office also leads policy projects, including legislative reform, and supports OSC branches in the policy development process.

As the regulatory body responsible for overseeing the securities industry in Ontario, the Ontario Securities Commission administers the *Securities Act*, the *Commodity Futures Act* and certain provisions of the *Ontario Business Corporations Act*. The Commission's mandate is to provide protection to investors from unfair, improper or fraudulent practices; and to foster fair and efficient capital markets and confidence in their integrity.

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Flaherty & Crumrine Investment Grade Preferred Fund - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – closed-end investment trust exempt from prospectus and registration requirements in connection with issuance of units to existing unit holders pursuant to distribution reinvestment plan whereby distributions of income are reinvested in additional units of the trust, subject to certain conditions – first trade in additional units deemed a distribution unless made in compliance with MI 45-102.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 25, 53 and 74(1).

Multilateral Instrument Cited

Multilateral Instrument 45-102 Resale of Securities (2001), 24 OSCB 5522.

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, QUÉBEC, NOVA SCOTIA, NEW BRUNSWICK, PRINCE EDWARD ISLAND, NEWFOUNDLAND AND LABRADOR, YUKON, NUNAVUT AND NORTHWEST TERRITORIES

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
FLAHERTY & CRUMRINE INVESTMENT GRADE PREFERRED FUND

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "**Decision Maker**") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador, Yukon, Nunavut and Northwest Territories (the "**Jurisdictions**") has received an application from Flaherty & Crumrine Investment Grade Preferred Fund (the "**Fund**") for a decision, pursuant to the securities legislation of the Jurisdictions (the "**Legislation**"), that the requirement contained in the Legislation to be registered to trade in a security (the "**Registration Requirement**") and to file a preliminary and final prospectus and obtain receipts therefore (the "**Prospectus Requirement**") shall not apply to certain trades of units of the Fund pursuant to a distribution reinvestment plan (the "**Plan**");

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "**System**"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions;

AND WHEREAS THE FUND has represented to the Decision Makers that:

1. The Fund is a closed-end investment trust established under the laws of the Province of Ontario and governed by a declaration of trust dated April 28, 2004 as amended May 11, 2004.

2. The beneficial interests in the Fund are divided into a single class of limited voting units (the "**Units**"). The Fund is authorized to issue an unlimited number of Units. Each Unit represents a Unitholder's proportionate undivided beneficial interest in the Fund.

3. The Fund filed a final prospectus dated April 28, 2004 (the "**Prospectus**") with the securities regulatory authorities in each of the Jurisdictions qualifying for distribution units of the Fund and became a reporting issuer or the equivalent thereof in the Jurisdictions upon obtaining a receipt for the Prospectus on April 29, 2004 from each of the Jurisdictions. The Fund is not on the list of defaulting reporting issuers maintained by any of the Jurisdictions.

4. The Fund is not considered to be a "mutual fund" as defined in the Legislation because the holders of the Units (the "**Unitholders**") are not entitled to receive "on demand" an amount computed by reference to the value of a proportionate interest in the whole or in part of the net assets of the Fund as contemplated in the definition of "mutual fund" in the Legislation.

5. The Toronto Stock Exchange (the "**TSX**") has approved the listing of the Units. The Units will be

listed and posted for trading under the symbol "FAC.UN".

6. Brompton Preferred Management Limited is the manager and the trustee of the Fund (the "**Manager**").

7. Flaherty & Crumrine Incorporated is the portfolio manager (the "**Portfolio Manager**") of the Fund. The Portfolio Manager will provide investment advisory and portfolio management services for the Fund in accordance with and subject to the terms of the portfolio management agreement.

8. Brompton Capital Advisors Inc. (the "**Advisor**") has been retained by the Fund and the Manager to be the principal investment advisor of the Fund and will be responsible to the Fund for services provided by the Portfolio Manager. BCA will monitor the provision of the investment advisory or portfolio management services for the Fund by the Portfolio Manager.

9. The Fund will invest in securities with the objective of (i) providing Unitholders with a stable stream of monthly distributions targeted to be $0.14063 per Unit; (ii) mitigate the impact of significant interest rate increases on the value of the Preferred Portfolio; and (iii) preserve the Net Asset Value per Unit (as described in the Prospectus).

10. The Fund intends to make monthly cash distributions ("**Distributions**") on the tenth business day of each month (each a "**Distribution Date**") to a Unitholder of record on the last business day of the immediately preceding month.

11. The Fund intends to adopt the Plan so that distributions will, if a Unitholder so elects, be automatically reinvested on such Unitholder's behalf in accordance with the provisions of the agreement governing the operation of the Plan (the "**DRIP Agreement**") entered into by the Manager, on behalf of the Fund, and Computershare Investor Services Inc., as plan agent (the "**Plan Agent**").

12. Non-residents of Canada within the meaning of the *Income Tax Act* (Canada) are not eligible to participate in the Plan.

13. Pursuant to the terms of the Plan, a Unitholder may elect to become a participant in the Plan by notifying a participant in CDS (the "**CDS Participant**") through which the Unitholder holds his or her Units of the Unitholder's intention to participate in the Plan. The CDS Participant shall, on behalf of the Unitholder, provide notice to CDS (the "**Participation Notice**") of the Unitholder's participation in the Plan no later than the close of business on the business day which is two business days prior to the last business day of each calendar month commencing with June 30, 2004 (the "**Record Date**") in respect of the next expected distribution in which the Unitholder intends to participate, by delivering to CDS a completed authorization form in the manner prescribed by CDS from time to time. CDS shall, in turn, notify the Plan Agent no later than the close of business on the business day immediately preceding such Record Date of such Unitholder's participation in the Plan.

14. Distributions due to Unitholders who have elected to participate in the Plan (the "**Plan Participants**") will automatically be reinvested on their behalf by the Plan Agent to purchase plan Units ("**Plan Units**") in accordance with the following terms and conditions:

    (a) if the weighted average trading price of Units on the TSX (or such other exchange or market on which Units are then listed, if the Units are not listed by the TSX) for the 10 trading days immediately preceding the relevant Distribution Date, plus applicable commissions or brokerage charges (the "**Market Price**") on the relevant Distribution Date is less than the Net Asset Value per Unit on the Distribution Date, the Plan Agent shall apply the Distributions otherwise payable in cash by the Fund to such Plan Participants on such Distribution Date either to purchase Plan Units in the market or from treasury in accordance with subparagraph (c) below;

    (b) if the Market Price is equal to or greater than the Net Asset Value per Unit on the relevant Distribution Date, the Plan Agent shall apply the Distributions to purchase Plan Units from the Fund through the issue of new Trust Units at a purchase price equal to the higher of (A) the Net Asset Value per Unit on the relevant Distribution Date, and (B) 95% of the Market Price on the relevant Distribution Date; and

    (c) purchases of Plan Units described in subparagraph (a) above will be made in the market by the Plan Agent on an orderly basis during the 6 trading day period following the Distribution Date and the price paid for those Plan Units will not exceed 115% of the Market Price of the Trust Units on the relevant Distribution Date. On the expiry of such 6 day period, the unused part, if any, of the Distributions will be used to purchase Plan Units from the Fund at a purchase price equal to the Net Asset Value per Unit on the relevant Distribution Date;

15. Plan Units purchased under the Plan will be registered in the name of CDS and credited to the account of the CDS Participant through whom a Unitholder holds Units.

16. No fractional Units will be issued under the Plan. A cash adjustment for any uninvested Distributions will be paid by the Plan Agent to CDS on a monthly basis to be credited to the Plan Participants via the applicable CDS Participants.

17. The Plan Agent will be purchasing Plan Units only in accordance with the mechanisms described in the Plan and, accordingly, there is no opportunity for a Plan Participant or the Plan Agent to speculate on changes in the Net Asset Value per Unit.

18. The amount of Distributions that may be reinvested in Plan Units issued from treasury is small relative to the Unitholders' equity in the Fund. The potential for dilution arising from the issuance of Plan Units by the Fund at the Net Asset Value per Unit on a relevant distribution date is not significant.

19. The Plan is open for participation by all Unitholders other than non-residents of Canada, such that any Canadian resident Unitholder can ensure protection against potential dilution by electing to participate in the Plan.

20. A Plan Participant may terminate his or her participation in the Plan by written notice to the CDS Participant through which the Plan Participant holds his or her Units. CDS will then inform the Plan Agent and thereafter distributions on such Units held by such Unitholder will be paid to the CDS Participant.

21. The Plan Agent's charges for administering the Plan will be paid by the Fund out of the assets of the Fund.

22. The Manager may terminate the Plan at any time in its sole discretion upon not less than 30 days' notice to the Plan Participants, via the applicable CDS Participant and the Plan Agent.

23. The Manager also reserves the right in its sole discretion to suspend the Plan at any time, in which case the Manager must give written notice of the suspension to all Plan Participants via the applicable CDS Participant.

24. The Manager may, in consultation with the Plan Agent, adopt additional rules and regulations to facilitate the administration of the Plan, which shall, once adopted, be deemed to form part of the DRIP Agreement.

25. The Manager may also amend the Plan or the DRIP Agreement at any time, in its sole discretion, provided that: (i) if the amendment is material to Plan Participants, at least 30 days' notice thereof shall be given to Plan Participants via the applicable CDS Participant and to the Plan Agent; and (ii) if the amendment is not material to Plan Participants, notice thereof may be given to Plan Participants and to the Plan Agent after effecting the amendment. No material amendment will be effective until it has been approved by the TSX (if required).

26. The Manager may, upon 90 days' written notice to the Plan Agent, and upon payment to the Plan Agent of all outstanding fees payable hereunder, remove the Plan Agent and appoint any person or entity licensed to carry on business in Ontario as the agent under the Plan.

27. The distribution of the Plan Units by the Fund pursuant to the Plan cannot be made in reliance on certain registration and prospectus exemptions contained in the Legislation as the Plan involves the reinvestment of distributable income distributed by the Fund and not the reinvestment of dividends or interest of the Fund.

28. The distribution of the Plan Units by the Fund pursuant to the Plan cannot be made in reliance on registration and prospectus exemptions contained in the Legislation for distribution reinvestment plans of mutual funds, as the Fund is not considered to be a "mutual fund" as defined in the Legislation because the Unitholders are not entitled to receive on demand an amount computed by reference to the value of a proportionate interest in the whole or in a portion of the net assets of the Fund.

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each of the Decision Makers (collectively, the "**Decision**");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Makers with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that:

(a) except in Alberta and Saskatchewan, Requirement and Prospectus Requirement contained in the Legislation shall not apply to trades or distributions by the Fund or by an administrator or agent of the Fund of Plan Units for the account of Plan Participants pursuant to the Plan, provided that:

(i) at the time of the trade or distribution, the Fund is a reporting issuer or the equivalent under the Legislation

and is not in default of any requirements of the Legislation;

(ii) no sales charge is payable in respect of the trade;

(iii) the Fund has caused to be sent to the person or company to whom the Plan Units are traded, not more than 12 months before the trade, a statement describing:

(I) their right to elect to participate in the Plan on a monthly basis to receive Plan Units instead of cash on the making of a distribution by the Fund and how to terminate such participation; and

(II) instructions on how to make the election referred to in (I);

(iv) the first trade of the Plan Units acquired under this Decision shall be deemed to be a distribution or a primary distribution to the public; and

(b) the Prospectus Requirement contained in the Legislation shall not apply to the first trade of Plan Units acquired by Plan Participants pursuant to the Plan, provided that:

(i) except in Québec, the conditions in paragraphs 2 through 5 of subsection 2.6(3) of Multilateral Instrument 45-102 – *Resale of Securities* are satisfied; and

(ii) in Québec:

(I) The Fund will be required to file a report on the number of units distributed for every financial year in Québec at the time of filing its annual report;

(II) at the time of the first trade the Fund is a reporting issuer in Québec and is not in default of any of the requirements of securities legislation in Québec;

(III) no unusual effort is made to prepare the market or to create a demand for the Plan Units;

(IV) no extraordinary commission or other consideration is paid to a person or company other than the vendor of the Plan Units in respect of the first trade; and

(V) the vendor of the Plan Units, if an insider with the Fund, has no reasonable grounds to believe that the Fund is default of any requirement of the Legislation.

July 30, 2004.

"Paul M. Moore" "Suresh Thakrar"

2.1.2 Capital Environmental Resource Inc. - MRRS Decision

Headnote

Subsection 74(1) – MRRS exemption from prospectus requirement in connection with resale of shares of U.S. non-reporting issuer issued under plan of arrangement – issuer unable to fully comply with conditions of section 2.14 of MI 45-102 as approximately 11% of U.S. issuer's shares potentially held in Canada upon completion of plan of arrangement, assuming exchange of exchangeable shares – exemption conditional on resale occurring over NASDAQ National Market or other market outside of Canada.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5. as am, ss. 53, 74 (1).

Rules Cited

Multilateral Instrument 45-102 – Resale of Securities.

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA, BRITISH COLUMBIA, NEWFOUNDLAND AND LABRADOR, NOVA SCOTIA, ONTARIO, PRINCE EDWARD ISLAND, SASKATCHEWAN, NORTHWEST TERRITORIES AND NUNAVUT

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
CAPITAL ENVIRONMENTAL RESOURCE INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the Decision Maker) in each of Alberta, British Columbia, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island, Saskatchewan, Northwest Territories and Nunavut (the Jurisdictions) has received an application from Capital Environmental Resource Inc. (CERI) for a decision under the securities legislation of the Jurisdictions (the Legislation) that the prospectus requirement under the Legislation shall not apply to the first trade of common shares (WSI Common Shares) of Waste Services, Inc. (WSI) issued to the holders (CERI Shareholders) of CERI common shares (CERI Common Shares), the holders (CERI Optionholders) of options (CERI Options) to purchase CERI Common Shares and the holders (CERI Warrantholders) of warrants (CERI Warrants) to purchase CERI Common Shares, in connection with a proposed arrangement (the Arrangement) under section 182 of the *Business Corporations Act* (Ontario) (the OBCA) involving, among others, CERI , WSI and Capital Environmental Holdings Company (Capital Holdings).

AND WHEREAS under the Mutual Reliance Review System (MRRS) set forth in National Policy 12-201 *Mutual Reliance Review System for Exemptive Relief Applications* (the Policy), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 *Definitions*;

AND WHEREAS CERI has represented to the Decision Makers that:

1. CERI was formed on the amalgamation of its predecessor, Capital Environmental Resource Inc., with a number of its predecessor's wholly owned subsidiaries, pursuant to the OBCA effective January 1, 2003. CERI's predecessor was incorporated in May 1997 and began operations in June 1997.

2. CERI is a "registrant" under, and is subject to, the requirements of the United States *Securities Exchange Act of 1934*, as amended (the 1934 Act). CERI is not a "reporting issuer" under the securities legislation in any jurisdiction in Canada and will not become a reporting issuer following completion of the Arrangement. CERI Common Shares are quoted on the NASDAQ National Market (the NNM) under the symbol "CERI".

3. CERI's authorized capital consists of an unlimited number of CERI Common Shares and preferred shares issuable in series. As at May 31, 2004, there were 95,383,778 CERI Common Shares and no preferred shares issued and outstanding.

4. Residents of Canada currently own directly or indirectly approximately 11% of the outstanding CERI Common Shares and represent in number approximately 12.5% of the total number of beneficial holders of CERI Common Shares.

5. WSI is currently a subsidiary of CERI. WSI is a corporation organized under and governed by the laws of the State of Delaware.

6. WSI is not a "reporting issuer" under the securities legislation in any jurisdiction in Canada and will not become a reporting issuer following completion of the Arrangement.

7. The authorized capital of WSI consists of 500,000,000 WSI Common Shares and 5,000,000 shares of preferred stock, 100,000 of which have been designated as Series A Preferred Stock (WSI Series A Preferred Stock). As at May 31, 2004, one WSI Common Share, held by CERI, and 55,000 WSI Series A Preferred Stock were issued and outstanding. Neither the WSI Common

Shares nor the WSI Series A Preferred Stock are currently listed on any stock exchange or quoted on any quotation and trade reporting system.

8. WSI proposes to (i) have its WSI Common Shares quoted on the NNM following the Arrangement becoming effective, (ii) be registered with the Securities and Exchange Commission in the United States of America under the 1934 Act, and (iii) not be exempt from the reporting requirements of the 1934 Act.

9. Capital Holdings is a wholly-owned direct subsidiary of WSI.

10. Capital Holdings was incorporated as an unlimited liability company under the laws of the Province of Nova Scotia solely to hold all of the CERI Common Shares and to hold the various call rights related to the Exchangeable Shares (as defined below).

11. Capital Holdings has no assets and does not carry on any business. Capital Holdings intends to conduct no business following the Arrangement apart from holding CERI Common Shares and various call rights.

12. Capital Holdings is not a "reporting issuer" under the securities legislation of any jurisdiction in Canada and will not become a reporting issuer following completion of the Arrangement.

13. The Arrangement will modify the corporate structure of CERI and its subsidiaries, and will ultimately result in CERI becoming a direct subsidiary of Capital Holdings. Capital Holdings will continue to be a direct subsidiary of WSI. CERI will not, by virtue of the Arrangement, change its business or operations after the date on which the Arrangement is effective.

14. Through the Arrangement, CERI will effectively convert the CERI Shareholders into holders of WSI Common Shares as follows:

- CERI Shareholders who are U.S. residents will have their holdings automatically transferred to Capital Holdings in exchange for WSI Common Shares on a one-for-one basis;

- CERI Shareholders who are not U.S. residents and who elect to receive exchangeable shares in the capital of CERI (the Exchangeable Shares) will have their CERI Common Shares reclassified as Exchangeable Shares that are exchangeable for WSI Common Shares on a one-for-one basis; and

- CERI Shareholders who are not U.S. residents and who do not elect to receive Exchangeable Shares will also have their holdings automatically transferred to Capital Holdings in exchange for WSI Common Shares on a one-for-one basis.

15. The Exchangeable Shares will be exchanged for WSI Common Shares upon the occurrence of prescribed retraction, redemption and, if applicable, liquidation events. The Exchangeable Shares will not be listed or posted for trading on any stock exchange.

16. WSI will provide to beneficial owners of Exchangeable Shares and of WSI Common Shares resident in Canada copies of all disclosure materials provided to holders of WSI Common Shares resident in the United States.

17. Each CERI Option will continue to be an obligation of CERI; however, it shall permit the holder to purchase a number of WSI Common Shares equal to the number of CERI Common Shares that may be purchased if such CERI Option were exercisable and exercised immediately prior to the Arrangement taking effect.

18. Each CERI Warrant will continue to be an obligation of CERI; however, it shall permit the holder to purchase a number of WSI Common Shares equal to the number of CERI Common Shares that may be purchased if such CERI Warrant were exercisable and exercised immediately prior to the Arrangement taking effect.

19. CERI Shareholders, CERI Optionholders and CERI Warrantholders will not be able to rely on Section 2.14 of Multilateral Instrument 45-102 - *Resale of Securities* with respect to first trades of WSI Common Shares because, as of the effective date of the Arrangement, residents of Canada will own directly or indirectly more than 10 percent of the outstanding WSI Common Shares.

AND WHEREAS pursuant to the Policy this Decision Document confirms the determination of the Decision Makers (the Decision);

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Makers with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that the prospectus requirement will not apply to the first trade of WSI Common Shares acquired by CERI Shareholders, CERI Optionholders and CERI Warrantholders in connection with the Arrangement, including on the exchange, redemption or retraction of Exchangeable Shares or on exercise of the CERI Options or CERI Warrants, provided that the trade is made on the facilities of the NNM or any other exchange or market outside of Canada on which the WSI Common Shares may

be quoted or listed for trading at the time that the trade occurs or to a person or company outside of Canada.

July 30, 2004.

"Robert L. Shirriff" "H. Lorne Morphy"

2.1.3 Burgundy Asset Management Ltd. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Investment by mutual funds in securities of other mutual funds and non-prospectused pooled funds under common management exempted from the mutual fund conflict of interest investment restrictions and management reporting requirements under the Legislation for the purpose of implementing an active fund-of-fund structure.

Ontario Statutes Cited

Securities Act (Ontario), R.S.O. 1990, c. S.5, as amended, clause 111(2)(b), subsection 111(3), section 113, clauses 117(1)(a) and 117(1)(d) and subsection 117(2).

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, ONTARIO, NOVA SCOTIA AND NEWFOUNDLAND AND LABRADOR

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
BURGUNDY ASSET MANAGEMENT LTD. ("BURGUNDY")

AND

IN THE MATTER OF
BURGUNDY AMERICAN EQUITY FUND, BURGUNDY BALANCED INCOME FUND, BURGUNDY FOUNDATION TRUST FUND, BURGUNDY PARTNERS EQUITY RSP FUND, BURGUNDY PARTNERS' FUND, BURGUNDY PARTNERS' RSP FUND AND OTHER MUTUAL FUNDS MANAGED BY BURGUNDY FROM TIME TO TIME IN A SIMILAR MANNER
(EACH, A "TOP FUND", COLLECTIVELY, THE "TOP FUNDS")

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia and Newfoundland and Labrador (the "Jurisdictions") has received an application from Burgundy (sometimes referred to herein as the "Manager") as manager of the Top Funds for a decision by each Decision Maker under the securities legislation of the Jurisdictions (the "Legislation") that the following provisions of the Legislation (the "Applicable Requirements") shall not apply

to the Top Funds or Burgundy, in respect of each Top Fund's investment in securities of the Private Funds (as defined in Schedule 'A') and, in all Jurisdictions except Ontario, in securities of the Other Burgundy Funds (as defined in Schedule 'A'):

1. the restrictions contained in the Legislation that prohibit a mutual fund from knowingly making or holding an investment in a person or company in which the mutual fund, alone or together with one or more related mutual funds, is a substantial securityholder; and

2. the requirements contained in the Legislation that a management company or, in British Columbia, a mutual fund manager, file a report of every transaction of purchase or sale of securities between a mutual fund it manages and any related person or company and any transaction in which, by arrangement other than an arrangement relating to insider trading in portfolio securities, a mutual fund is a joint participant with one or more of its related persons or companies.

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions;

AND WHEREAS the Manager has represented to the Decision Makers that:

1. Burgundy is the manager of the Top Funds, the Other Burgundy Funds and the Private Funds.

2. The Top Funds and the Other Burgundy Funds are open-end mutual fund trusts established under the laws of the Province of Ontario.

3. Units of the Top Funds and Other Burgundy Funds are currently qualified for distribution under a simplified prospectus and annual information form dated July 9, 2003 (the "Prospectus") filed in each of the Jurisdictions.

4. On June 9, 2004, a pro forma simplified prospectus and pro forma annual information form in respect of the Top Funds and the Other Burgundy Funds was filed in the Province of Ontario only under SEDAR Project No. 658715. Burgundy is not seeking to renew the Prospectus in any province other than Ontario. As of July 9, 2004, units of the Top Funds and Other Burgundy Funds are being sold to investors in provinces other than Ontario solely in the private placement market pursuant to applicable exemptions from the prospectus and dealer registration requirements. However, the Top Funds and the Other Burgundy Funds continue to be reporting issuers in each of the Jurisdictions subject to the provisions of the Legislation, including National Instrument 81-102 – Mutual Funds ("NI 81-102").

5. The Private Funds are, or will be, pooled funds established under the laws of the Province of Ontario and will be sold in the private placement market pursuant to applicable prospectus and dealer registration exemptions.

6. The Private Funds are not reporting issuers under the Legislation and, accordingly, are not governed by NI 81-102. However, other than in respect of section 7.1 of NI 81-102 (which relates to incentive fees charged directly to investors), each Private Fund complies with NI 81-102.

7. Burgundy offers investment management services to high net worth individuals, pension funds, endowment funds, foundations and institutions under the terms of an investment counsel agreement which grants Burgundy full discretionary authority over the client's account ("Investment Counsel Agreement"). The only investors in a Top Fund are clients of Burgundy who have entered into an Investment Counsel Agreement. Burgundy does not charge or receive any management or other fee from the Top Funds, the Other Burgundy Funds or the Private Funds. Burgundy's sole form of compensation with respect to the Top Funds, the Other Burgundy Funds and the Private Funds is the negotiable management fee it charges its clients under the Investment Counsel Agreement. The incentive fee, if any, is charged in respect of a Private Fund by Burgundy pursuant to the Investment Counsel Agreement with a client and is not charged to any Top Fund that invests in a Private Fund.

8. Each Top Fund wishes to actively manage its investments in any Private Fund and/or Other Burgundy Fund with discretion to buy and sell securities of the Private Fund and/or Other Burgundy Fund, selected in accordance with the Top Fund's investment objective, as well as alter its holdings in any Private Fund and/or Other Burgundy Fund in which it invests.

9. Given the relative size of some of the Top Funds, Burgundy believes that investing in securities of the Private Funds and Other Burgundy Funds, which have acquired or will acquire asset classes that are in accordance with a Top Fund's investment objective, provides a more efficient and cost-effective manner of achieving diversification than the direct purchase of securities.

10. Except to the extent evidenced by this Decision and specific approvals granted by the Decision Makers pursuant to NI 81-102, the investments by a Top Fund in the Private Funds and Other

Burgundy Funds will comply with the investment restrictions of the Legislation and NI 81-102.

11. In the absence of this Decision, the Top Funds would be prohibited from knowingly making or holding an investment in a Private Fund and, in every Jurisdiction except Ontario, an Other Burgundy Fund, in which a Top Fund, alone or together with one or more related mutual funds, is a substantial securityholder.

12. In the absence of this Decision, Burgundy would be required to file a report of every transaction of purchase or sale by a Top Fund of securities of a Private Fund and, in every Jurisdiction except Ontario, of securities of the Other Burgundy Funds.

13. A Top Fund's investment in securities of a Private Fund and/or Other Burgundy Fund will represent the business judgement of responsible persons uninfluenced by considerations other than the best interests of a Top Fund.

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that the Applicable Requirements shall not apply so as to prevent the Top Funds from making and holding investments in securities of a Private Fund, and in every Jurisdiction except Ontario, in securities of Other Burgundy Funds, or require Burgundy to file a report relating to the purchase or sale of such securities,

PROVIDED IN EACH CASE THAT:

1. The Decision shall only apply if, at the time a Top Fund makes or holds an investment in a Private Fund and/or Other Burgundy Fund, the following conditions are satisfied:

   (a) the Top Fund's investments in securities of a Private Fund and/or Other Burgundy Fund are made in accordance with the provisions of section 2.5 of NI 81-102, except to the extent the Top Fund has been granted specific exemptions therefrom by the Decision Makers;

   (b) each Private Fund is, or will be, organized or created under the laws of Canada or the laws of a Province of Canada;

   (c) each Private Fund meets the definition of mutual fund as defined in the Legislation;

   (d) where securities of a Top Fund are offered for sale pursuant to a simplified prospectus and annual information form, the simplified prospectus of that Top Fund will disclose in its investment objective the ability to invest in pooled fund securities and will also disclose the information specified in paragraph (g) below under Item 8, Part B of Form 81-101F1;

   (e) the Private Funds and Other Burgundy Funds will, at all times, be in compliance with NI 81-102, except section 7.1 thereof in respect of incentive fees, if any, which are charged in respect of a Private Fund by Burgundy pursuant to the Investment Counsel Agreement with a client;

   (f) Burgundy does not charge an incentive fee to a Top Fund that invests in a Private Fund; and

   (g) if available, unitholders of a Top Fund may obtain, upon request, a copy of the offering memorandum (or other similar document) of a Private Fund and the audited annual financial statements and semi-annual financial statements of a Private Fund.

July 30, 2004.

"Robert L. Shirriff" "H. Lorne Morphy"

SCHEDULE 'A'

Private Funds
Burgundy Japan Fund
Burgundy Smaller Companies Fund
Burgundy Small Cap Value Fund
and other pooled funds managed by Burgundy from time to time in a similar manner.

Other Burgundy Funds
Burgundy Bond Fund
Burgundy Canadian Equity Fund
Burgundy European Equity Fund
Burgundy European Foundation Fund
Burgundy Focus Canadian Equity Fund
Burgundy Money Market Fund
Burgundy T-Bill Fund
Burgundy U.S. Money Market Fund
Burgundy U.S. T-Bill Fund
and other mutual funds managed by Burgundy from time to time in a similar manner.

2.1.4 CBJ Caiman Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – issuer deemed to have ceased to be a reporting issuer.

Ontario Statutes

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 83.

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, QUÉBEC, NOVA SCOTIA, AND NEWFOUNDLAND AND LABRADOR

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
CBJ CAIMAN INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, and Newfoundland and Labrador (collectively, the "Jurisdictions") has received an application from CBJ Caiman Inc. (the "Applicant"), for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the Applicant be deemed to have ceased to be a reporting issuer under the Legislation;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Agence nationale d'encadrement du secteur financier (also known as "Autorité des marchés financiers") is the principal regulator for this Application;

AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 - Definitions;

AND WHEREAS the Applicant has represented to the Decision Makers that:

1. On November 29, 2003, Cambior Inc. acquired (the "Acquisition") Ariane Gold Corp., a reporting issuer in each of the Jurisdictions, by way of a share exchange (using the procedure of a statutory three cornered amalgamation), with the Applicant being the resulting entity;

2. on the effective date of the amalgamation, the Applicant became a reporting issuer in each of the

Jurisdictions and a wholly-owned subsidiary of Cambior Inc.;

3. the Applicant has filed a notice under British Columbia Instrument 11-502 Voluntary Surrender of Reporting Issuer Status to voluntarily surrender its reporting issuer status in British Columbia;

4. the Applicant does not have securities listed on any stock exchange and any of its securities are traded on a marketplace as defined in National Instrument 21-101 Marketplace Operation;

5. the Applicant has no plans to seek public financing by way of an offering of its securities;

6. the Applicant is applying for relief to cease to be a reporting issuer in all of the Jurisdictions in Canada in which it is currently a reporting issuer; and

7. the Applicant is in technical default of its obligations for failure to file and deliver its annual financial statements and annual report, where applicable, for the financial year ended December 31, 2003 and interim financial statements for the three-month period ended March 31, 2004 but is not otherwise in default of any requirements under the Legislation as a reporting issuer.

AND WHEREAS under the System this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that the Applicant is deemed to have ceased to be a reporting issuer under the Legislation.

July 27, 2004.

"Marie-Christine Barrette"

2.1.5 NovaGold Canada Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – issuer deemed to have ceased to be a reporting issuer.

Ontario Statutes

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 83.

July 29, 2004

DuMoulin Black
10th Floor, 595 Howe Street
Vancouver, British Columbia V6C 2T5

Attention: Ms. Lucy On

Dear Ms. On:

Re: NovaGold Canada Inc. (the "Applicant") - Application to Cease to be a Reporting Issuer under the securities legislation of Alberta, Saskatchewan, Ontario, and Quebec (the "Jurisdictions")

The Applicant has applied to the local securities regulatory authority or regulator (the "Decision Maker") in each of the Jurisdictions for a decision under the securities legislation (the "Legislation") of the Jurisdictions to be deemed to have ceased to be a reporting issuer in the Jurisdictions.

As the Applicant has represented to the Decision Makers that,

1. the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by less than 15 security holders in each of the jurisdictions in Canada and less than 51 security holders in total in Canada;

2. no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 Marketplace Operation;

3. the Applicant is applying for relief to cease to be a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and

4. the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer, each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met and orders that the Applicant is deemed to have ceased to be a reporting issuer in the Jurisdictions.

"Patricia M. Johnston"

2.1.6 BMONT Split Corp. and Scotia Capital Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – subdivided offering – the prohibitions contained in the Legislation prohibiting trading in portfolio securities by persons or companies having information concerning the trading programs of mutual funds shall not apply to the agent with respect to certain principal trades with the issuer in securities comprising the issuer's portfolio – issuer's portfolio consisting of common shares of Bank of Montreal.

Ontario Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as amended, s.119, subclause 121(2)(a)(ii).

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO, BRITISH COLUMBIA, ALBERTA,
SASKATCHEWAN, NEWFOUNDLAND AND
LABRADOR, NOVA SCOTIA
AND NEW BRUNSWICK

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
BMONT SPLIT CORP.

AND

IN THE MATTER OF
SCOTIA CAPITAL INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Ontario, British Columbia, Alberta, Saskatchewan, Newfoundland and Labrador, Nova Scotia and New Brunswick (the "Jurisdictions") has received an application from BMONT Split Corp. (the "Company") and Scotia Capital Inc. ("Scotia Capital") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the prohibition contained in the Legislation prohibiting trading in portfolio shares by persons or companies having information concerning the trading programs of mutual funds (the "Principal Trading Prohibitions") shall not apply to Scotia Capital in connection with its Principal Sales (as hereinafter defined) to, and Principal Purchases (as hereinafter defined) from, the Company;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions;

AND WHEREAS the Company and Scotia Capital have represented to the Decision Makers that:

The Company

1. The Company was incorporated on June 29, 2004 under the *Business Corporations Act* (Ontario).

2. The Company has filed a preliminary prospectus dated June 30, 2004 (the "Preliminary Prospectus" with the securities regulatory authority in each of the provinces of Canada in respect of the offerings (the "Offerings") of class A capital shares (the "Capital Shares") and class A preferred shares (the "Preferred Shares") to the public.

3. The Company is a passive investment company whose principal undertaking will be to invest the net proceeds of the Offerings in a portfolio (the "Portfolio") of common shares (the "BMO Shares") of Bank of Montreal ("BMO") in order to generate fixed cumulative preferential distributions for the holders of the Preferred Shares and to enable the holders of Capital Shares to participate in any capital appreciation in the BMO Shares after payment of administrative and operating expenses of the Company. It will be the policy of the Board of Directors of the Company to pay dividends on the Capital Shares in an amount equal to the dividends received by the Company on the BMO Shares minus the distributions payable on the Preferred Shares and all administrative and operating expenses of the Company.

4. The Company is considered to be a mutual fund as defined in the Legislation, except in Québec. Since the Company does not operate as a conventional mutual fund, it has made application for a waiver from certain requirements of National Instrument 81-102 – Mutual Funds.

5. The Capital Shares and Preferred Shares will be retractable at any time at the option of the holder and redeemable at the option of the Company in the manner described in the Preliminary Prospectus.

6. It will be the policy of the Company to hold the BMO Shares and to not engage in any trading of the BMO Shares, except:

   (i) to fund retractions or redemptions of Capital Shares and Preferred Shares;

   (ii) following receipt of stock dividends on the BMO Shares;

(iii) in the event of a take-over bid for any of the BMO shares;

(iv) if necessary, to fund any shortfall in distributions on the Preferred Shares;

(v) to meet obligations of the Company in respect of liabilities including extraordinary liabilities; or

(vi) certain other limited circumstances as described in the Preliminary Prospectus.

7. The Company intends to become a reporting issuer under the Legislation by filing a final prospectus (the "Final Prospectus") relating to the Offerings. Prior to the filing of the Final Prospectus, the Articles of Incorporation of the Company will be amended so that the authorized capital of the Company will consist of an unlimited number of Capital Shares, an unlimited number of Preferred Shares, an unlimited number of Class B, Class C, Class D and Class E capital shares, issuable in series, an unlimited number of Class B, Class C, Class D and Class E preferred shares, issuable in series, an unlimited number of Class J Shares and an unlimited number of Class S Shares, each having the attributes set forth under the headings "Description of Share Capital" and "Details of the Offerings" in the Preliminary Prospectus.

8. The Class J Shares are currently the only voting shares in the capital of the Company. At the time of filing the Final Prospectus, there will be 150 Class J Shares issued and outstanding. Multibanc Financial Holdings Limited ("Multibanc") will own all of the issued and outstanding Class J Shares of the Company. E. Duff Scott and John B. Newman each own 50% of the Class A common shares of Multibanc (the "Holdings Shares"). Scotia Capital owns all of the Class B non-voting common shares of Multibanc. Neither Mr. Scott nor Mr. Newman is an employee or director of Scotia Capital.

9. All of the Class J Shares of the Company will be lodged in escrow with Computershare Trust Company of Canada ("Computershare") pursuant to an agreement dated the closing date of the Offerings among Multibanc, Computershare and the Company and all of the Holdings Shares will be lodged in escrow with Computershare pursuant to an agreement to be dated the closing date of the Offerings among the holders thereof, Multibanc and Computershare (collectively, the "Escrow Agreements"). Under the Escrow Agreements, none of the Class J Shares or the Holdings Shares may be disposed of or dealt with in any manner until all of the Capital Shares and Preferred Shares have been retracted or redeemed, without the express consent, order or direction of the applicable securities regulatory authorities except that the Holdings Shares may be pledged to a Canadian chartered bank as collateral to secure a bona fide bank debt.

10. The Company has a Board of Directors which currently consists of three directors. All of the directors are employees of Scotia Capital. Also, the offices of President/Chief Executive Officer and Chief Financial Officer/Secretary of the Company are held by employees of Scotia Capital. At least two additional, independent directors will be appointed to the Board of Directors of the Company prior to the filing of the Final Prospectus.

11. The BMO Shares are listed and traded on the Toronto Stock Exchange (the "TSX") and the New York Stock Exchange.

12. The Company is not, and will not upon the completion of the Offerings be, an insider of BMO within the meaning of the Legislation.

The Offerings

13. The net proceeds from the sale of the Capital Shares and Preferred Shares under the Final Prospectus, after payment of commissions to the Agents (as hereinafter defined), expenses of issue and carrying costs relating to the acquisition of the BMO Shares, will be used by the Company to: (i) pay the acquisition cost (including any related costs or expenses) of the BMO Shares; and (ii) pay the initial fee payable to Scotia Capital for its services under the Administration Agreement (as hereinafter defined).

14. The Final Prospectus will disclose the acquisition cost to the Company of the BMO Shares and selected financial information and dividend and trading history of the BMO Shares.

15. Application will be made to list the Capital Shares and Preferred Shares on the TSX.

16. All Capital Shares and Preferred Shares outstanding on a date approximately five years from the closing of the Offerings, which date will be specified in the Final Prospectus, will be redeemed by the Company on such date (the "Redemption Date").

Scotia Capital

17. Scotia Capital was incorporated under the laws of the Province of Ontario and is a direct, wholly-owned subsidiary of The Bank of Nova Scotia. Scotia Capital is registered under the Legislation as a dealer in the categories of "broker" and "investment dealer" and is a member of the Investment Dealers Association of Canada and the TSX.

18. Scotia Capital is the promoter of the Company and will be establishing a credit facility in favour of the Company in order to facilitate the acquisition of the BMO Shares by the Company.

19. Pursuant to an agreement (the "Agency Agreement") to be made between the Company and Scotia Capital, BMO Nesbitt Burns Inc., National Bank Financial Inc., TD Securities Inc., HSBC Securities (Canada) Inc., Canaccord Capital Corporation, Desjardins Securities Inc. and Raymond James Ltd. (collectively, the "Agents" and individually, an "Agent"), the Company will appoint the Agents, as its agents, to offer the Capital Shares and Preferred Shares of the Company on a best efforts basis and the Final Prospectus qualifying the Offering will contain a certificate signed by each of the Agents in accordance with the Legislation.

20. Pursuant to an administration agreement (the "Administration Agreement") to be entered into between Scotia Capital and the Company, the Company will retain Scotia Capital to administer the ongoing operations of the Company and will pay Scotia Capital a quarterly fee of 1/4 of 0.20 % of the market value of the BMO Shares held by the Company.

21. Scotia Capital's economic interest in the Company and in the material transactions involving the Company are disclosed in the Preliminary Prospectus and will be disclosed in the Final Prospectus under the heading "Interest of Management and Others in Material Transactions" and include the following:

    (a) agency fees with respect to the Offering;

    (b) an administration fee under the Administration Agreement;

    (c) commissions in respect of the acquisition of BMO Shares, the disposition of BMO Shares to fund a redemption, retraction or purchase for cancellation of the Capital Shares and Preferred Shares;

    (d) interest and reimbursement of expenses, in connection with the acquisition of BMO Shares; and

    (e) amounts in connection with Principal Sales and Principal Purchases (as described in paragraphs 22 and 27 below).

The Principal Trades

22. Pursuant to an agreement (the "Securities Purchase Agreement") to be entered into between the Company and Scotia Capital, Scotia Capital will purchase, as agent for the benefit of the Company, BMO Shares in the market on commercial terms or from non-related parties with whom Scotia Capital and the Company deal at arm's length. Subject to receipt of all necessary regulatory approvals, Scotia Capital may, as principal, sell BMO Shares to the Company (the "Principal Sales"). The aggregate purchase price to be paid by the Company for the BMO Shares (together with carrying costs and other expenses incurred in connection with the purchase of BMO Shares) will not exceed the net proceeds from the Offerings.

23. Under the Securities Purchase Agreement, Scotia Capital may receive commissions at normal market rates in respect of its purchase of BMO Shares, as agent on behalf of the Company, and the Company will pay any carrying costs or other expenses incurred by Scotia Capital, on behalf of the Company, in connection with its purchase of BMO Shares as agent on behalf of the Company. In respect of any Principal Sales made to the Company by Scotia Capital as principal, Scotia Capital may realize a financial benefit to the extent that the proceeds received from the Company exceed the aggregate cost to Scotia Capital of such BMO Shares. Similarly, the proceeds received from the Company may be less than the aggregate cost to Scotia Capital of the BMO Shares and Scotia Capital may realize a financial loss, all of which is disclosed in the Preliminary Prospectus and will be disclosed in the Final Prospectus.

24. The Preliminary Prospectus discloses and the Final Prospectus will disclose that any Principal Sales will be made in accordance with the rules of the applicable stock exchange and the price paid by Scotia Capital (inclusive of all transaction costs, if any) will not be greater than the price which would have been paid (inclusive of all transaction costs, if any) if the acquisition had been made through the facilities of the principal stock exchange on which the BMO Shares are listed and posted for trading at the time of the purchase from Scotia Capital.

25. Scotia Capital will not receive any commissions from the Company in connection with the Principal Sales and all Principal Sales will be approved by the independent directors of the Company. In carrying out the Principal Sales, Scotia Capital shall deal fairly, honestly and in good faith with the Company.

26. For the reasons set forth in paragraphs 22 and 23 above, and the fact that no commissions are payable to Scotia Capital in connection with the Principal Sales, in the case of the Principal Sales, the interests of the Company and the shareholders of the Company may be enhanced by insulating the Company from price increases in respect of the BMO Shares.

27. In connection with the services to be provided by Scotia Capital to the Company pursuant to the Administration Agreement, Scotia Capital may sell BMO Shares to fund retractions of Capital Shares and Preferred Shares prior to the Redemption Date and upon liquidation of the BMO Shares in connection with the final redemption of Capital Shares and Preferred Shares on the Redemption Date. These sales will be made by Scotia Capital as agent on behalf of the Company, but in certain circumstances, such as where a small number of Capital Shares and Preferred Shares have been surrendered for retraction, Scotia Capital may purchase BMO Shares as principal (the "Principal Purchases") subject to receipt of all regulatory approvals.

28. In connection with any Principal Purchases, Scotia Capital will comply with the rules, procedures and policies of the applicable stock exchange of which it is a member and in accordance with orders obtained from all applicable securities regulatory authorities. The Preliminary Prospectus discloses and the Final Prospectus will disclose that Scotia Capital may realize a gain or loss on the resale of such securities.

29. The Administration Agreement will provide that Scotia Capital must take reasonable steps, such as soliciting bids from other market participants or such other steps as Scotia Capital, in its discretion, considers appropriate after taking into account prevailing market conditions and other relevant factors, to enable the Company to obtain the best price reasonably available for the BMO Shares so long as the price obtained (net of all transaction costs, if any) by the Company from Scotia Capital is at least as advantageous to the Company as the price which is available (net of all transaction costs, if any) through the facilities of the applicable stock exchange at the time of the trade.

30. Scotia Capital will not receive any commissions from the Company in connection with Principal Purchases and all Principal Purchases will be approved by the independent directors of the Company. In carrying out the Principal Purchases, Scotia Capital shall deal fairly, honestly and in good faith with the Company.

31. At the time of making Principal Sales and/or Principal Purchases, Scotia Capital will not have any knowledge of a material fact or material change with respect to BMO that has not been generally disclosed.

AND WHEREAS under MRRS, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that the Principal Trading Prohibitions shall not apply to Scotia Capital in connection with the Principal Sales and Principal Purchases.

August 3, 2004.

"Robert L. Shirriff" "H. Lorne Morphy"

2.1.7 Legg Mason Canadian Income Fund - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – issuer deemed to have ceased to be a reporting issuer.

Ontario Statutes

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 83.

July 29, 2004

Legg Mason Canada Inc.
320 Bay Street, Suite 1400
Toronto, Ontario M5H 4A6

Attention: William A. Chinkiwsky

Dear Sirs/Mesdames:

Re: Legg Mason Canadian Income Fund (the "Applicant") - Application to Cease to be a Reporting Issuer under the securities legislation of Ontario, Alberta, Saskatchewan, Quebec, Nova Scotia, and Newfoundland and Labrador (the "Jurisdictions")

The Applicant has applied to the local securities regulatory authority or regulator (the "Decision Maker") in each of the Jurisdictions for a decision under the securities legislation (the "Legislation") of the Jurisdictions to be deemed to have ceased to be a reporting issuer in the Jurisdictions.

As the Applicant has represented to the Decision Maker that,

1. The outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by less than 15 security holders in each of the jurisdictions in Canada and less than 51 security holders in total in Canada;

2. No securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 Marketplace Operation;

3. The Applicant is applying for relief to cease to be a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer;

4. The Applicant is not in default of any of its obligations under the Legislation as a reporting issuer,

each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met and orders that the Applicant is deemed to have ceased to be a reporting issuer.

"Erez Blumberger"

2.1.8 Case Resources Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – issuer deemed to have ceased to be a reporting issuer.

Ontario Statutes

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 83.

August 6, 2004

Burnet, Duckworth & Palmer LLP
1400, 350 - 7th Avenue S.W.
Calgary, AB T2P 3N9

Attention: Dena Southas

Dear Ms. Southas:

Re: Case Resources Inc. (the "Applicant") - Application to Cease to be a Reporting Issuer under the securities legislation of Alberta and Ontario (the "Jurisdictions")

The Applicant has applied to the local securities regulatory authority or regulator (Decision Maker) in each of the Jurisdictions for a decision under the securities legislation (Legislation) of the Jurisdictions to be deemed to have ceased to be a reporting issuer in the Jurisdictions.

As the Applicant has represented to the Decision Makers that:

1. the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by less than 15 security holders in each of the jurisdictions in Canada and less than 51 security holders in total in Canada;

2. no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 Marketplace Operation;

3. the Applicant is applying for relief to cease to be a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and

4. the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer, each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met and orders that the Applicant is deemed to have ceased to be a reporting issuer in the Jurisdictions.

"Patricia M. Johnston"

2.1.9 R Split II Corp. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Issuer granted relief from requirement to deliver annual financial statements and, where applicable, an annual report, for its first fiscal year – Financial statements cover a short operating period – Issuer invests on a passive basis in a portfolio of common shares of Royal Bank of Canada.

Ontario Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., subsection 79(1), clause 80(b)(iii).

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
THE PROVINCES OF
ONTARIO, BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, QUEBEC, NOVA SCOTIA, AND NEWFOUNDLAND AND LABRADOR

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
R SPLIT II CORP.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "**Decision Maker**") in each of the provinces of Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, Nova Scotia and Newfoundland and Labrador (the "**Jurisdictions**") has received an application from R Split II Corp. (the "**Issuer**") for a decision pursuant to the securities legislation of the Jurisdictions (the "**Legislation**") that the requirement contained in the Legislation to deliver financial statements and, where applicable, an annual report, to security holders shall not apply to the Issuer for its fiscal year ended May 31, 2004;

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "MRRS"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS unless otherwise defined the terms herein have the meaning set out in National Instrument 14-101 Definitions;

AND WHEREAS the Issuer has represented to the Decision Maker as follows:

1. On April 29, 2004, the Issuer filed a final prospectus (the "**Prospectus**") relating to the offering of Preferred Shares (the "**Preferred Shares**") and Capital Shares (the "**Capital Shares**") with all of the provincial and territorial securities regulatory authorities. A receipt for this prospectus was issued on April 29, 2004. The Issuer issued 1,275,000 Preferred Shares and 2,550,000 Capital Shares pursuant to the offering on May 7, 2004 (the "**Offering**").

2. The Issuer was incorporated under the laws of the Province of Ontario on March 8, 2003. Scotia Capital Inc. ("**Scotia Capital**") acts as administrator of the Issuer. The fiscal year end of the Issuer is May 31, with the first fiscal year end to occur on May 31, 2004. Pursuant to the requirements of the Legislation, and subject to any relief obtained pursuant to this application, the Issuer would be required to prepare and file in the Jurisdictions and deliver to its security holders its annual financial statements and annual report for the fiscal year ended May 31, 2004.

3. The authorized capital of the Issuer consists of an unlimited number of Capital Shares, of which 2,550,000 are issued and outstanding, an unlimited number of Preferred Shares, of which 1,275,000 are issued and outstanding, an unlimited number of Class B, Class C, Class D and Class E capital shares issuable in series, none of which are issued and outstanding, an unlimited number of Class B, Class C, Class D and Class E preferred shares, issuable in series, none of which are issued and outstanding, and an unlimited number of Class J Shares and Class S Shares issuable in series, of which 150 Class J Shares and 100 Class S Shares are issued and outstanding.

4. The Class J Shares are the only class of voting securities of the Issuer, of which there are 150 issued and outstanding. The 150 issued and outstanding Class J shares are owned by R Split II Holdings Corp, which is owned by the three independent directors of the Issuer in equal parts.

5. The Issuer has been created in order to invest in a portfolio of common shares (the "**Royal Bank Shares**") of Royal Bank of Canada in order to generate fixed cumulative preferential distributions for the holders of the Issuer's Preferred Shares and to enable the holders of the Issuer's Capital Shares to participate in any capital appreciation in the Royal Bank Shares. The Royal Bank Shares will be the only material assets of the Issuer. The fixed distributions on the Preferred Shares will be funded from the dividends received on the Royal Bank Shares. If necessary, any shortfall in the distributions on the Preferred Shares will be funded by proceeds from the sale of, or if determined appropriate by the Issuer's board of directors, premiums earned from writing covered call options on, Royal Bank Shares.

6. The Prospectus included an audited balance sheet of the Issuer as at April 28, 2004 and an unaudited pro forma balance sheet prepared on the basis of the completion of the sale and issue of Preferred Shares and Capital Shares of the Issuer. There are no material differences in the financial position of the Issuer as at April 28, 2004 and, as such, the financial position of the Issuer as at May 31, 2004 will have been substantially reflected in the pro forma financial statements contained in the Prospectus.

7. The Issuer is an inactive company, the sole purpose of which is to provide a vehicle through which different investment objectives with respect to participation in the Royal Bank Shares may be satisfied.

8. The benefit to be derived by the security holders of the Issuer from receiving a hard copy of the annual financial statements and annual report for the fiscal year ended May 31, 2004 would be minimal in view of (i) the short operating period (i.e. 33 days) from the date of the Prospectus to May 31, 2004; (ii) the pro forma financial statements contained in the Prospectus; and (iii) the nature of the minimal business carried on by the Issuer.

9. The expense to the Issuer of sending to its security holders the financial statements and the annual report for the fiscal year ended May 31, 2004 would not be justified in view of the benefit to be derived by the security holders from receiving such statements.

AND WHEREAS pursuant to the MRRS, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "**Decision**");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that the Issuer is exempted from the requirement to deliver to its security holders its annual financial statements and, where applicable, its annual report, for its fiscal year ended May 31, 2004, provided that,

(i) the Issuer issue, and file on SEDAR, a press release informing security holders of their right to receive such annual financial statements and annual report upon request; and

(ii) the Issuer send a copy of such annual financial statements and annual report to

any security holder of the Issuer who so requests.

July 30, 2004.

"Robert L. Shirriff" "H. Lorne Morphy"

2.1.10 Calpine Corporation - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Application – Exemption from all of the requirements of NI 51-101 granted to a reporting issuer with a de minimus connection to Canada.

Applicable Ontario Statutory Provision(s)

National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities – s. 8.1(1).

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA, BRITISH COLUMBIA, SASKATCHEWAN, MANITOBA, ONTARIO, NEW BRUNSWICK, NOVA SCOTIA, NEWFOUNDLAND AND LABRADOR, YUKON, NORTHWEST TERRITORIES AND NUNAVUT

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
CALPINE CORPORATION

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Newfoundland and Labrador, Yukon, Northwest Territories and Nunavut (the "Jurisdictions") has received an application from Calpine Corporation ("Calpine") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that Calpine be exempted from all of the requirements contained in National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101");

2. AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief applications (the "System"), the Alberta Securities Commission is the principal regulator for this application;

3. AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions or Appendix 1 of Companion Policy 51-101CP;

4. AND WHEREAS Calpine has represented to the Decision Makers that:

   4.1 Calpine's head office for its Canadian operations is in Calgary, Alberta;

4.2 Calpine

4.2.1 is a corporation organized and subsisting under the laws of the State of Delaware, with its head office in San Jose, California;

4.2.2 has securities registered under the 1934 Act; and

4.2.3 is a reporting issuer or equivalent in each of the Jurisdictions and in Quebec;

4.3 Calpine's common shares (the "Calpine Shares") are listed on the New York Stock Exchange (the "NYSE");

4.4 Calpine prepares disclosure about its oil and gas activities in accordance with the requirements of the 1934 Act and the rules of the SEC;

4.5 Calpine, as a "U.S. issuer" under National Instrument 71-101 The Multijurisdictional Disclosure System ("NI 71-101"), satisfies the continuous disclosure requirements under the Legislation by complying with the continuous disclosure requirements of United States federal securities law and the NYSE and filing, delivering and issuing in Canada pursuant to the provisions of Parts 14 through 18 of NI 71-101 any continuous disclosure documents it files, delivers or issues in the United States;

4.6 less than 10% of the number of registered and beneficial holders of Calpine Shares, are resident in Canada;

4.7 less than 10% of the outstanding Calpine Shares are held by residents of Canada;

5. AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

6. AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

7. THE DECISION of the Decision Makers under the Legislation is that NI 51-101 shall not apply to Calpine for so long as:

7.1 less than 10% of the number of registered and beneficial holders of Calpine Shares are resident in Canada;

7.2 less than 10% of the outstanding Calpine Shares are held by residents of Canada; and

7.3 Calpine prepares disclosure about its oil and gas activities in accordance with the requirements of the 1934 Act and the rules of the SEC.

July 30, 2004.

"Glenda A. Campbell" "Stephen R. Murison"

2.1.11 EnCana Holdings Finance Corp. and EnCana Corporation - MRRS Decision

Headnote

Relief granted to a wholly owned subsidiary (the “issuer”) of another reporting issuer (the “parent”) in respect of annual financial statement requirements, interim financial statement requirements, material change requirements, proxy requirements and insider requirements subject to certain conditions including filing under the issuer’s SEDAR profile, the annual and interim financial statements of the parent. Previous decision document is revoked and replaced.

Ontario Statutes

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 144.

National Instruments

National Instrument 44-101 Short Form Prospectus Distributions.
National Instrument 44-102 Shelf Distributions.

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA, BRITISH COLUMBIA, SASKATCHEWAN, MANITOBA, ONTARIO, QUÉBEC, NEW BRUNSWICK NOVA SCOTIA AND NEWFOUNDLAND AND LABRADOR

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
ENCANA HOLDINGS FINANCE CORP. AND ENCANA CORPORATION

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia and Newfoundland and Labrador (collectively, the "Jurisdictions") made decisions (collectively, the "Prior Decision") on March 24, 2004 under the Mutual Reliance Review System for Exemptive Relief Applications (the "System") pursuant to the securities legislation (the "Legislation") of the Jurisdictions that EnCana Holdings Finance Corp. ("FinanceCo") is exempt from the requirements contained in the Legislation that:

(a) FinanceCo file with Decision Makers and send to its security holders audited annual comparative financial statements or annual reports containing such statements (the "Annual Financial Statement Requirements");

(b) FinanceCo file with Decision Makers and send to its security holders interim comparative financial statements (the "Interim Financial Statement Requirements");

(c) FinanceCo issue and file with the Decision Makers press releases, and file with the Decision Makers material change reports (together, the "Material Change Requirements"); and

(d) FinanceCo comply with the proxy and proxy solicitation requirements, including filing with the Decision Makers an information circular or report in lieu thereof, as applicable (the "Proxy Requirements") (Annual Financial Statement Requirements, Interim Financial Statement Requirements, Material Change Requirements and Proxy Requirements are collectively referred to herein as the "Continuous Disclosure Requirements"),

shall not apply to FinanceCo as a result of FinanceCo becoming a reporting issuer or the equivalent in each of the Jurisdictions which has such a concept; and

(e) where applicable, a person or company that is an insider of FinanceCo ("Insider") file reports with the Decision Makers disclosing such person's or company's direct or indirect beneficial ownership of, or control or direction over, securities of FinanceCo (the "Insider Reporting Requirements"),

shall not apply to Insiders of FinanceCo as a result of FinanceCo becoming a reporting issuer or the equivalent in each of the Jurisdictions which has such a concept;

AND WHEREAS the Decision Makers have each received an application from FinanceCo and EnCana Corporation ("EnCana") (collectively, FinanceCo and EnCana are referred to herein as the "Applicants") to revoke the Prior Decision and replace the Prior Decision with a new decision clarifying the relief and conditions granted to FinanceCo;

AND WHEREAS pursuant to the System, the Alberta Securities Commission is the principal regulator for this application;

AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 *Definitions*;

AND WHEREAS the Applicants have represented to the Decision Makers that:

1. FinanceCo was incorporated under the *Companies Act* (Nova Scotia) on August 25, 2003 and is an indirect wholly-owned subsidiary of EnCana.

2. The registered and head office of FinanceCo is located in Calgary, Alberta.

3. FinanceCo's only business is to access capital markets, principally in the United States and Canada, to raise funds to be loaned to, or otherwise invested in, the subsidiary companies or partnerships of EnCana. Other than the foregoing, FinanceCo does not carry on any operating business.

4. FinanceCo is a reporting issuer or its equivalent in each of the Jurisdictions which has such a concept by virtue of its filing a short form base shelf prospectus (the "Prospectus") in each of the Jurisdictions on March 26, 2004 to establish the offering (the "Offering") of debt securities ("Debt Securities") from time to time over a 25 month period. To the knowledge of FinanceCo, FinanceCo is not in default of the Legislation.

5. FinanceCo is qualified under the provisions of National Instrument 44-102 – *Shelf Distributions* ("NI 44-102") and National Instrument 44-101 *Short Form Prospectus Distributions* ("NI 44-101") (collectively, NI 44-102 and NI 44-101 are referred to herein as the "Shelf Requirements") to file a prospectus in the form of a short form base shelf prospectus on the basis that the Debt Securities are fully and unconditionally guaranteed non-convertible debt securities as contemplated by section 2.5 of NI 44-101.

6. EnCana was formed through a business combination of PanCanadian Energy Corporation and Alberta Energy Company Ltd. on April 5, 2002 and is a reporting issuer or the equivalent in each of the Jurisdictions which has such a concept and, to the knowledge of EnCana, is not in default of the Legislation.

7. EnCana is one of the world's leading independent oil and natural gas exploration and production companies.

8. EnCana is registered under the United States *Securities Exchange Act of 1934*, as amended (the "1934 Act").

9. EnCana has filed with the United States Securities and Exchange Commission (the "SEC") all filings required to be made with the SEC under Sections 13 and 15(d) of the 1934 Act since it first became registered under the 1934 Act.

10. As at December 31, 2003, EnCana had approximately US$3.3 billion and Cdn.$3.9 billion in long term debt outstanding. All of EnCana's directly issued outstanding long term debt is rated "A-" by Standard & Poor's Corporation, "Baa1" by Moody's Investors Service, Inc. and "A (low)" by Dominion Bond Rating Service Limited.

11. The common shares of EnCana are publicly traded and listed under the symbol "ECA" on both the Toronto Stock Exchange (the "TSX") and the New York Stock Exchange. Based on their closing price on the TSX on December 31, 2003, the common shares of EnCana had a market value in excess of Cdn.$23 billion.

12. FinanceCo filed the Prospectus in each of the Jurisdictions pursuant to the Shelf Requirements and in the United States through the Multi-Jurisdictional Disclosure System to conduct the Offering. All Debt Securities issued under the Prospectus are or will be, as the case may be, fully and unconditionally guaranteed by EnCana as to payment of principal, interest and all other amounts due thereunder.

13. In connection with the Offering:

    (a) the Prospectus was prepared pursuant to the Shelf Requirements, with the disclosure required by item 12 of Form 44-101F3 of NI 44-101 being satisfied by incorporating by reference EnCana's public disclosure documents;

    (b) the Prospectus provides disclosure about the consolidated business and operations of EnCana;

    (c) the Prospectus states that purchasers of Debt Securities will not receive separate continuous disclosure information regarding FinanceCo;

    (d) FinanceCo's only business will continue to be to access capital markets, principally in the United States and Canada, to raise funds to be loaned to, or otherwise invested in, the subsidiary companies or partnerships of EnCana;

    (e) EnCana signed the Prospectus as guarantor and promoter; and

    (f) the Debt Securities will not be listed on any securities exchange based in North America.

14. EnCana will continue to be a reporting issuer or the equivalent in each of the Jurisdictions which has such a concept and EnCana will continue to file with the Decision Makers all documents required to be filed under the Legislation.

15. FinanceCo will comply with the requirements of the Legislation to issue a news release and file a report with the Decision Makers upon the occurrence of a material change in the affairs of FinanceCo that is not a material change in the affairs of EnCana.

16. FinanceCo will not distribute additional securities other than:

    (i) additional Debt Securities which are fully and unconditionally guaranteed by EnCana with respect to payments required to be made by FinanceCo to the holders of such additional Debt Securities;

    (ii) to EnCana or to entities that are controlled, directly or indirectly, by EnCana; or

    (iii) debt securities issued to banks, loan corporations, trust corporations, treasury branches, credit unions, insurance companies or other financial institutions.

AND WHEREAS pursuant to the System, this MRRS Decision Document evidences the decision of each of the Decision Makers (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that the Prior Decision is revoked;

IT IS THE FURTHER DECISION of the Decision Makers pursuant to the Legislation that:

1. Continuous Disclosure Requirements Relief

   FinanceCo be exempt from the Continuous Disclosure Requirements provided that:

   (a) each of EnCana and FinanceCo, as applicable, complies with paragraphs 13(d), 14, 15 and 16 of this application;

   (b) the filings referred to in paragraph 14 above are made under each of EnCana's and FinanceCo's SEDAR profiles within the time limits and in accordance with applicable fees required by the Legislation for the filing of such documents;

   (c) all audited annual comparative financial statements and interim comparative financial statements filed by EnCana under the Legislation are prepared on a consolidated basis in accordance with Canadian GAAP or such other standards as may be permitted under the Legislation from time to time;

   (d) EnCana continues to fully and unconditionally guarantee the Debt Securities as to the payments required to be made by FinanceCo to the holders of the Debt Securities; and

   (e) EnCana maintains direct or indirect 100% ownership of the voting shares of FinanceCo.

2. Insider Reporting Requirements Relief

   Each Insider be exempt from the Insider Reporting Requirements provided that:

   (a) such Insider does not receive, in the ordinary course, information as to material facts or material changes concerning EnCana before the material facts or material changes are generally disclosed;

   (b) such Insider is not an insider of EnCana in any capacity other than by virtue of being an Insider of FinanceCo;

   (c) EnCana maintains direct or indirect 100% ownership of the voting shares of FinanceCo; and

   (d) FinanceCo complies with paragraph 16 of this application.

July 28, 2004.

“Agnes Lau”

2.1.12 Industrial Alliance Insurance and Financial Services Inc. and Industrial Alliance Capital Trust - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Exemption from the requirements to file annual certificates and interim certificates under Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings granted to a capital trust sponsored by an insurance company, subject to specified conditions, where the trust had previously been exempted from the requirements to file financial statements, MD&A and AIFs.

Applicable Instruments

Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings.
National Instrument 51-102 Continuous Disclosure Obligations.

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO, ALBERTA, SASKATCHEWAN,
MANITOBA, NEW BRUNSWICK, NEWFOUNDLAND
AND LABRADOR, NOVA SCOTIA,
NORTHWEST TERRITORIES, NUNAVUT
AND YUKON

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
INDUSTRIAL ALLIANCE INSURANCE
AND FINANCIAL SERVICES INC.
AND INDUSTRIAL ALLIANCE CAPITAL TRUST

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Ontario, Alberta, Saskatchewan, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Northwest Territories, Nunavut and Yukon (the "Jurisdictions") has received an application from Industrial Alliance Insurance and Financial Services Inc. (the "Corporation") and Industrial Alliance Capital Trust (the "Trust") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation"), that the requirements contained in the Legislation to:

(a) file annual certificates ("Annual Certificates") with the Decision Makers under section 2.1 of Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("MI 52-109"); and

(b) file interim certificates ("Interim Certificates" and together with the Annual Certificates, the "Certification Filings") with the Decision Makers under section 3.1 of MI 52-109;

shall not apply to the Trust, subject to certain terms and conditions;

AND WHEREAS pursuant to the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 *Definitions*;

AND WHEREAS pursuant to a Mutual Reliance Review System decision document dated July 24, 2003 (the "Previous Decision"), the Trust is exempt from the requirements of securities legislation in the jurisdictions of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia and Newfoundland and Labrador, as applicable, concerning the preparation, filing and delivery of (i) interim financial statements and audited annual financial statements, (ii) annual filings in lieu of filing an information circular, where applicable and (iii) an annual information form (an "AIF") and management's discussion and analysis of the financial condition and results of operation of the Trust ("MD&A");

AND WHEREAS the Trust has delivered a notice dated May 25, 2004 to the applicable securities regulatory authorities or regulators under subsection 13.2(2) of National Instrument 51-102 *Continuous Disclosure Obligations* stating that it intends to rely on the Previous Decision to the same extent and on the same conditions as contained in the Previous Decision;

AND WHEREAS the Corporation and the Trust represented to the Decision Makers that:

1. Since the date of the Previous Decision, there have been no material changes to the representations of either the Trust or the Corporation contained in the Previous Decision.

2. The Trust is a reporting issuer or the equivalent in each of the Jurisdictions providing for such a regime and is not in default of any requirement under the Legislation.

3. The outstanding securities of the Trust consist of: (i) Special Trust Securities, all of which are held by the Corporation; and (ii) Industrial Alliance Trust Securities – Series A.

4. The Previous Decision exempts the Trust from the requirements to file its own interim financial

statements and interim MD&A (collectively, the "Interim Filings") and (ii) its own AIF, annual financial statements and annual MD&A, as applicable (collectively, the "Annual Filings") and therefore, it would not be meaningful or relevant for the Trust to file its own Certification Filings.

5. Because of the terms of securities publicly offered by the Trust, and by virtue of certain agreements and covenants of the Corporation in connection therewith, information regarding the affairs and financial condition of the Corporation, as opposed to that of the Trust, is meaningful to holders of such securities and it is appropriate that the Corporation's Certification Filings be available to such security holders of the Trust in lieu of the Certification Filings of the Trust.

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that the requirement contained in the Legislation:

(a) to file Annual Certificates with the Decision Makers under section 2.1 of MI 52-109; and

(b) to file Interim Certificates with the Decision Makers under section 3.1 of MI 52-109;

shall not apply to the Trust for so long as:

(i) the Trust is not required to, and does not, file its own Interim Filings and Annual Filings;

(ii) the Corporation files with the Decision Makers, in electronic format under the Trust's SEDAR profile, the Corporation's Annual Certificates and Interim Certificates at the same time as such documents are required under the Legislation to be filed by the Corporation;

(iii) the Trust qualifies for the relief contemplated by, and is in compliance with, the requirements and conditions set out in the Previous Decision;

and provided that if a material adverse change occurs in the affairs of the Trust, this Decision shall expire 30 days after the date of such change.

August 3, 2004.

"Erez Blumberger"

2.1.13 APF Energy Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - issuer deemed to be no longer a reporting issuer under securities legislation (for MRRS Decisions).

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S. 5, as am., s. 83.

July 28, 2004

Parlee McLaws LLP
3400 Petro-Canada Centre
150 – 6 Avenue S.W.
Calgary, AB T2P 3Y7

Attention: Anthony S. Rasoulis

Dear Mr. Rasoulis:

Re: APF Energy Inc. (Applicant) - Application to Cease to be a Reporting Issuer under the securities legislation of Alberta, Ontario, Saskatchewan and Newfoundland and Labrador (the "Jurisdictions")

The Applicant has applied to the local securities regulatory authority or regulator (Decision Maker) in each of the Jurisdictions for a decision under the securities legislation (Legislation) of the Jurisdictions to be deemed to have ceased to be a reporting issuer in the Jurisdictions.

As the Applicant has represented to the Decision Makers that,

1. the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by less than 15 security holders in each of the jurisdictions in Canada and less than 51 security holders in total in Canada;

2. no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 *Marketplace Operation*;

3. the Applicant is applying for relief to cease to be a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and

4. the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer,

each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met and orders that the Applicant is deemed to have ceased to be a reporting issuer in the Jurisdictions.

"Patricia M. Johnston"

2.1.14 QLT Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Application – relief from the requirement to reconcile the financial statements of a proposed acquired business to Canadian GAAP and GAAS and to prepare *pro forma* financial statements using Canadian GAAP and GAAS – issuer has filed its financial statements prepared using US GAAP and GAAS, and proposed acquired business's financial statements are prepared using US GAAP and GAAS – the *pro forma* financial statements will be reconciled to Canadian GAAP.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am.

Applicable Ontario Rules

National Instrument 52-107 Acceptable Accounting Principles, Auditing Standards and Reporting Currency.

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, QUÉBEC, NOVA SCOTIA, NEWFOUNDLAND AND LABRADOR AND NEW BRUNSWICK

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
QLT INC., ATRIX LABORATORIES, INC.
AND
ASPEN ACQUISITION CORP.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, Newfoundland and Labrador, and New Brunswick (collectively, the "Jurisdictions") has received an application from QLT Inc. ("QLT") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that QLT be exempt from the following requirements in connection with a joint management information circular and proxy statement (the "Circular") being prepared for an upcoming special meeting of holders of common shares of QLT (the "QLT Common Shares") to consider the issuance of QLT Common Shares in connection with a merger (the "Merger") involving QLT, Atrix Laboratories, Inc. ("Atrix") and Aspen Acquisition Corp. ("Merger Sub"), a wholly-owned subsidiary of QLT:

(a) the requirement that historical financial statements of Atrix (the "Atrix Statements") prepared in accordance with U.S. GAAP (as defined in National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency*) be reconciled to Canadian GAAP and that the notes to the Atrix Statements must (i) explain, and quantify the effect of, material differences between Canadian GAAP and U.S. GAAP that relate to recognition, measurement and presentation; and (ii) provide disclosure consistent with Canadian GAAP to the extent not already reflected in the Atrix Statements;

(b) the requirement that auditors' reports on the Atrix Statements disclose any material differences in the form and content of such auditors' reports as compared to a Canadian auditors' report and confirming that the auditing standards applied are substantially equivalent to Canadian generally accepted auditing standards ("Canadian GAAS");

(c) the requirement that all management discussion and analysis ("MD&A") relating to the Atrix Statements provide a restatement of those parts of the MD&A that would read differently if the MD&A were based on statements prepared in accordance with Canadian GAAP, and the requirements that the MD&A provide a cross-reference to the notes in the financial statements that reconcile the differences between U.S. GAAP and Canadian GAAP; and

(d) the requirement that pro forma financial statements showing the combination of QLT and Atrix be prepared in accordance with Canadian GAAP;

(collectively, the "GAAP and GAAS Reconciliation Requirements");

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the British Columbia Securities Commission is the principal regulator for this application;

AND WHEREAS unless otherwise defined, the terms herein have the meaning set out in National Instrument 13-101 *Definitions* or in Agence nationale d'encadrement du secteur financier Notice 14-101;

AND WHEREAS QLT has represented to the Decision Makers that:

1. QLT exists under the *Business Corporations Act* (British Columbia) and has its executive office in Vancouver, British Columbia;

2. the authorized capital of QLT is 500 million QLT Common Shares and five million First Preference shares issuable in series, of which 500,000 are designated as Series "A" First Preference shares, 500,000 are designated as Series "B" First Preference shares, 500,000 are designated as Series "C" 8% First Preference shares and 500,000 are designated as Series "D" First Preference shares;

3. QLT is a reporting issuer or its equivalent in each of the Jurisdictions;

4. QLT is not on the list of defaulting reporting issuers maintained under the Legislation, where applicable;

5. the QLT Common Shares trade on the Toronto Stock Exchange and NASDAQ National Market ("NASDAQ");

6. in Canada, QLT files two sets of financial statements, one prepared in accordance with Canadian GAAP, and one prepared in accordance with U.S. GAAP;

7. Atrix is currently subject to the 1934 Act and has its common stock traded on NASDAQ;

8. Merger Sub was incorporated for the purposes of facilitating the Merger;

9. neither Atrix nor Merger Sub are reporting issuers or the equivalent under the Legislation;

10. under the terms of a merger agreement between QLT, Atrix and Merger Sub dated June 14, 2004, Merger Sub will merge with Atrix, and the surviving entity will be a wholly-owned subsidiary of QLT;

11. to effect the Merger, the stockholders of Atrix will receive QLT Common Shares and cash for their shares in Atrix, except certain excluded shares, and Atrix's optionholders and warrantholders will receive options or warrants, as applicable, of QLT;

12. the Merger is subject to approval by shareholders of QLT and stockholders of Atrix, regulatory approval and other customary closing conditions;

13. the Circular must include or incorporate by reference information sufficient to enable a QLT shareholder to form a reasoned judgement concerning the Merger, including prospectus-level disclosure for each of QLT and Atrix and the securities being exchanged and issued;

14. the Circular will include or incorporate by reference the following historical and pro forma financial statements:

    (a) audited financial statements for the years ended December 31, 2003, 2002 and 2001 of:

        (i) QLT prepared in accordance with Canadian GAAP, audited in accordance with Canadian GAAS and accompanied by an auditor's report prepared in accordance with Canadian GAAS; and

        (ii) QLT prepared in accordance with US GAAP, audited in accordance with United States generally accepted auditing standards ("US GAAS") and accompanied by an auditor's report prepared under US GAAS; and

        (iii) Atrix prepared in accordance with U.S. GAAP, audited in accordance with US GAAS and accompanied by an auditor's report prepared under US GAAS;

    (b) interim unaudited financial statements for the 3 months ended March 31, 2004 of:

        (i) QLT prepared in accordance with Canadian GAAP and also in accordance with U.S. GAAP; and

        (ii) Atrix prepared in accordance with U.S. GAAP;

    (c) unaudited pro forma financial statements of QLT, together with a compilation report thereon, which include:

        (i) a balance sheet as of March 31, 2004 showing the combination of QLT and Atrix; and

        (ii) statement of operations for the three months ended March 31, 2004 and the year ended December 31, 2003,

    prepared in accordance with U.S. GAAP and reconciled to Canadian GAAP;

15. it is expected that the Atrix Common Shares will be delisted from NASDAQ shortly after the Merger; and

16. QLT will apply to list the QLT Common Shares issued in connection with the Merger on NASDAQ and the Toronto Stock Exchange;

AND WHEREAS under the System, this MRRS Decision Document evidences the decision of each of the Decision Makers (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of each of the Decision Makers under the Legislation is that the GAAP and GAAS Reconciliation Requirements do not apply to QLT, in respect of the Circular, provided that the Circular includes or incorporates by reference the financial statements described in representation 14.

July 28, 2004.

"Brenda Leong"

2.1.15 Optimal Payments Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – issuer deemed to be no longer a reporting issuer under securities legislation (for MRRS Decisions).

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 83.

May 6, 2004

Optimal Payments Inc.
C/o **Osler, Hoskin & Harcourt LLP**
1000 de la Gauchetière Street West
Suite 2100
Montreal (Québec)
H3B 4W5

Attention : Mr. Osman Aboubakr

Re: Optimal Payments Inc. (the "Applicant") – Application to Cease to be a Reporting Issuer under the securities legislation of Alberta, Ontario and Québec (the "Jurisdictions")

Dear Sirs:

The Applicant has applied to the local securities regulatory authority or regulator (the "Decision Maker") in each of the Jurisdictions for a decision under the securities legislation (the "Legislation") of the Jurisdictions to be deemed to have ceased to be a reporting issuer in the Jurisdictions.

As the Applicant has represented to the Decision Makers that,

1. the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by less than 15 security holders in each of the jurisdictions in Canada and less than 51 security holders in total in Canada;

2. no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 Marketplace Operation;

3. the Applicant is applying for relief to cease to be a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and

4. the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer,

each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met and orders that the Applicant is deemed to have ceased to be a reporting issuer.

"Eve Poirier"

2.1.16 Ford Motor Credit Company and Ford Credit Canada Limited - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Canadian issuer previously provided with an exemption that permitted it to use the POP system to issue notes that are guaranteed by American parent company subject to certain conditions - issuer applying for an order to vary conditions of previous order to provide it with option of including either its annual comparative audited financial statements or selected annual comparative financial information in its short form offering documents - order granted subject to certain conditions.

Rules Cited

National Instrument 44-101 - Short Form Prospectus Distributions.
National Instrument 44-102 - Shelf Distributions.
National Instrument 71-101 - Multijurisdictional Disclosure System.

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN,
MANITOBA, ONTARIO, QUEBEC, NEW BRUNSWICK,
NEWFOUNDLAND AND LABRADOR, NOVA SCOTIA,
PRINCE EDWARD ISLAND, YUKON,
NORTHWEST TERRITORIES AND NUNAVUT

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM
FOR EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
FORD MOTOR CREDIT COMPANY
AND FORD CREDIT CANADA LIMITED

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Newfoundland and Labrador, Nova Scotia, Prince Edward Island, Yukon, Northwest Territories and Nunavut (the "Jurisdictions") has received an application from Ford Motor Credit Company ("Ford Credit") and its subsidiary Ford Credit Canada Limited (the "Issuer", and together with Ford Credit, the "Filer") for a decision by each Decision Maker under the securities legislation of the Jurisdictions (the "Legislation") varying the MRRS Decision Document dated September 30, 2003 entitled *In the Matter of Ford Motor Credit Company and Ford Credit Canada Limited* (the "Original MRRS Decision") which provided the Filer with relief from, among other things, certain of the requirements of National Instrument 44-101 ("NI 44-101") and National Instrument 44-102;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "System"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS, unless otherwise defined, the terms herein have the meaning set out in National Instrument 14-101 Definitions or in Quebec Commission Notice 14-101;

AND WHEREAS the Filer has represented to the Decision Makers that:

1. Ford Credit was incorporated under the laws of the State of Delaware in 1959 and is not a reporting issuer or the equivalent in any of the Jurisdictions.

2. Ford Credit has been a reporting company under the United States Securities Exchange Act of 1934, as amended (the "1934 Act"), for more than 20 years with respect to its debt securities. Ford Credit has filed with the United States Securities and Exchange Commission (the "SEC") all filings required to be made with the SEC under sections 13 and 15(d) of the 1934 Act since it first became a reporting company under the 1934 Act.

3. As at March 31, 2004, Ford Credit had in excess of US$115.5 billion in long-term debt outstanding. Ford Credit's outstanding long-term debt has an Approved Rating (as defined in NI 44-101).

4. Ford Credit has, for a period of more than 12 months, filed its annual reports on Form 10K, quarterly reports on Form 10Q, and current reports on Form 8K in Canada under the System for Electronic Document Analysis and Retrieval ("SEDAR") established by National Instrument 13-101, under the SEDAR profile of the Issuer.

5. The common stock in the capital of Ford Credit is indirectly owned by Ford Motor Company, a publicly traded Delaware corporation.

6. Ford Credit offers a wide variety of automotive financial services to and through automotive dealers throughout the world under the Ford Credit brand name and through dealers of Ford vehicles and non-Ford dealers.

7. Ford Credit satisfies the criteria set forth in paragraph 3.1(a) of National Instrument 71-101 ("NI 71-101") and is eligible to use the multi-jurisdictional disclosure system (as set out in NI 71-101) for the purpose of distributing approved rating non-convertible debt in Canada based on compliance with United States prospectus requirements with certain additional Canadian disclosure.

8. The Issuer was incorporated under the federal laws of Canada on July 23, 1962 and was continued under the *Canada Business Corporations Act* on December 5, 1980. The Issuer is an indirect wholly-owned subsidiary of Ford Credit.

9. The Issuer provides wholesale financing and capital loans to authorized Ford Motor Company of Canada, Limited vehicle dealers and purchases retail installment sale contracts and retail leases from such dealers. The Issuer also makes loans to vehicle leasing companies, the majority of which are affiliated with such dealers.

10. The Issuer is, and has been for more than 12 months, a reporting issuer or the equivalent thereof in those Jurisdictions where such status exists. The Issuer is not in default of any of its obligations under the Legislation or applicable exemptive relief orders.

11. The Issuer has established a program to raise up to Cdn.$6 billion (or the equivalent in other currencies) in Canada through the issuance of Notes from time to time during the currency of its currently effective short form base shelf prospectus, prospectus supplement and applicable pricing supplements (collectively, the "Prospectus"). The Notes are fully and unconditionally guaranteed by Ford Credit as to payment of principal, premium, if any, and interest, if any, such that the holders thereof will be entitled to receive payment from Ford Credit upon the failure by the Issuer to make any such payment.

12. As of May 14, 2004, the Issuer had approximately Cdn.$4.74 billion of Notes outstanding, either pursuant to the Prospectus or previously filed prospectuses.

13. The Notes currently have an Approved Rating (as defined in NI 44-101) and it is expected by the Issuer that its long-term debt will continue to receive an Approved Rating.

14. By MRRS Decision Document dated May 21, 2004, the Decision Makers (except the Northwest Territories) exempted the Issuer from complying with National Instrument 51-102 Continuous Disclosure Obligations ("NI 51-102") subject to the Issuer satisfying certain conditions, including filing Annual Selected Financial Information and Interim Selected Financial Information (as defined below);

AND WHEREAS under the System this MRRS Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers under the Legislation is that:

(a) Paragraph (c) of the second Decision under the Original MRRS Decision is deleted in its entirety and replaced with the following:

"(c) each Renewal Prospectus is prepared pursuant to the procedures contained in NI 44-101 and NI 44-102 and complies with the requirements set out in Form 44-101F3, with the disclosure required by Item 12 of Form 44-101F3 being addressed by incorporating by reference Ford Credit's public disclosure documents as well as Ford Credit's AIF, and instead of the financial information disclosure required by Item 13.1(1)2 of Form 44-101F3, the Issuer will incorporate by reference in each Renewal Prospectus the following documents (as applicable):

(i) for the Issuer's most recently completed financial year either (i) its annual comparative financial statements prepared in accordance with Canadian generally accepted accounting principles, together with a report of the Issuer's auditors thereon, or (ii) the following annual comparative selected financial information for such completed financial year (provided that such year begins on or after January 1, 2004) and the financial year preceding such financial year (collectively, the "Annual Selected Financial Information"), derived from the Issuer's financial statements prepared in accordance with Canadian generally accepted accounting principles, together with a specified procedures report of the Issuer's auditors:

(A) total financing revenues;

(B) net income/loss and, if applicable, income/loss from continuing operations and income/loss from discontinued operations;

(C) finance receivables, net;

(D) allowance for credit losses (included in (C) above and (E) below);

(E) net investment in operating leases;

(F) all other assets;

(G) total assets;

(H) short-term debt;

(I) long-term term debt;

(J) all other liabilities; and

(K) total shareholders' equity;

(ii) for the Issuer's most recently completed interim period either (i) its interim comparative financial statements prepared in accordance with Canadian generally accepted accounting principles, or (ii) the following interim comparative selected financial information, derived from the Issuer's financial statements prepared in accordance with Canadian generally accepted accounting principles, for its most recently completed interim period (for financial years beginning on or after January 1, 2004) and for items (A) and (B) below, the corresponding interim period in the previous financial year and for items (C) through to and including (K) below, as at the end of the previous financial year (collectively, the "Interim Selected Financial Information"):

(A) total financing revenues;

(B) net income/loss and, if applicable, income/loss from continuing operations and income/loss from discontinued operations;

(C) finance receivables, net;

(D) allowance for credit losses (included in (C) above and (E) below);

(E) net investment in operating leases;

(F) all other assets;

(G) total assets;

(H) short-term debt;

(I) long-term term debt;

(J) all other liabilities; and

(K) total shareholders' equity;

provided that the Issuer shall only be entitled to incorporate by reference any Annual Selected Financial Information or Interim Selected Financial Information under this Decision if such information was filed in accordance with the MRRS Decision Document dated May 21, 2004 entitled *In the Matter of Ford Motor Credit Company and Ford Credit Canada Limited* (the "May 2004 Decision") and was filed at a time when the Issuer's presentation of a Non-Classified Balance Sheet (as defined in the May 2004 Decision) was permitted under Canadian generally accepted accounting principles;"; and

(b) The following language is added after paragraph (I) of the second Decision under the Original MRRS Decision:

"Provided that this relief will terminate one year after the effective date of any amendments to NI 44-101 that change the required financial statement disclosure of a credit support issuer (as defined in NI 51-102) in a manner inconsistent with this Decision."

August 9, 2004.

"John Hughes"

2.2 Orders

2.2.1 HydraLogic Systems Inc. - ss. 83.1(1)

Headnote

Subsection 83.1(1) – issuer deemed to be a reporting issuer in Ontario – issuer has been a reporting issuer in Alberta and British Columbia for over 12 months – issuer's securities listed and posted for trading on the TSX Venture Exchange – continuous disclosure requirements of British Columbia and Alberta substantially identical to those of Ontario.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 83.1(1).

IN THE MATTER OF
THE SECURITIES ACT
R.S.O. 1990, CHAPTER S.5, AS AMENDED (THE "ACT")

AND

IN THE MATTER OF
HYDRALOGIC SYSTEMS INC.

ORDER
(Section 83.1(1))

UPON the application of HydraLogic Systems Inc. (the Company) to the Ontario Securities Commission for an order pursuant to subsection 83.1(1) of the Act deeming the Company to be a reporting issuer for the purposes of Ontario securities law.

AND UPON considering the application and the recommendation of staff of the Ontario Securities Commission (the Commission).

AND UPON the Company having represented to the Commission that:

1. The Company was continued under the laws of Ontario as a result of the amalgamation of LeChamp Capital Corp. (LeChamp) and HydraLogic Systems Inc. (HLS) on January 16, 2004 (the Amalgamation).

2. The head office of the Company is located at 210 Saunders Road, Barrie, Ontario L4N 9A2.

3. The Company has determined that it has a significant connection to Ontario, in that:

   (a) the head office of the Company is located in Ontario;

   (b) all of the four senior officers of the Company, two of whom are also directors of the Company, are residents of Ontario; and

   (c) a majority of beneficial and registered shareholders of the Company, collectively holding more than 85% of the issued and outstanding common shares of the Company, are resident in Ontario.

4. The common shares and the Class A and Class B Share Purchase Warrants of the Company are currently listed on the TSX Venture Exchange (the Exchange) under the symbols "HLS.WT.A" and "HLS.WT.B", respectively, and the Company is in compliance with the requirements of the Exchange.

5. The Company is not designated as a capital pool company under the policies of the Exchange.

6. The authorized capital of the Company consists of an unlimited number of common shares and an unlimited number of preference shares issuable in series, of which 18,366,000 common shares are currently issued and outstanding. The Company also has 3,445,500 Class A Share Purchase Warrants and 3,445,500 Class B Share Purchase Warrants currently outstanding.

7. A predecessor of the Company, LeChamp, filed a prospectus to qualify the distribution of securities in British Columbia and Alberta on August 12, 2002. As a result of the Amalgamation, the Company became a reporting issuer under the *Securities Act* (British Columbia) (the BC Act) and the *Securities Act* (Alberta) (the Alberta Act) on January 16, 2004.

8. The Company is not in default of any continuous disclosure requirements of the BC Act or the Alberta Act.

9. The Company is not a reporting issuer in Ontario and is not a reporting issuer, or its equivalent, under the securities legislation of any other jurisdiction in Canada other than British Columbia and Alberta.

10. The continuous disclosure requirements of the BC Act and the Alberta Act are substantially the same as the requirements under the Act.

11. The continuous disclosure materials filed by the Company are available on the System for Electronic Document Analysis and Retrieval.

12. There have been no penalties or sanctions imposed against the Company by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority, and the Company has not entered into any settlement agreement with any Canadian securities regulatory authority.

13. Neither the Company nor its directors and officers nor, to the knowledge of the Company and

directors and officers, any of its controlling shareholders, has: (i) been the subject of any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority, (ii) entered into a settlement agreement with a Canadian securities regulatory authority, or (iii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

14. Neither the Company nor its directors and officers nor, to the knowledge of the Company and directors and officers, any of its controlling shareholders, is or has been subject to: (i) any known ongoing or concluded investigations by: (a) a Canadian securities regulatory authority, or (b) a court or regulatory body, other than a Canadian securities regulatory authority, that would be likely to be considered important to a reasonable investor making an investment decision; or (ii) any bankruptcy or insolvency proceedings, or other proceedings, arrangements or compromises with creditors, or the appointment of a receiver, receiver-manager or trustee, within the preceding 10 years.

15. Neither the Company nor its directors and officers nor, to the knowledge of the Company and directors and officers, any of its controlling shareholders, is or has been, at the time of such event, a director or officer of another issuer which is or has been subject to: (i) any cease trade or similar orders, or orders that denied access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days, within the preceding 10 years; or (ii) any bankruptcy or insolvency proceedings, or other proceedings, arrangements or compromises with creditors, or the appointment of a receiver, receiver-manager or trustee, within the preceding 10 years.

AND UPON the Commission being satisfied that it would not be prejudicial to the public interest;

IT IS HEREBY ORDERED pursuant to subsection 83.1(1) of the Act that the Company is deemed to be a reporting issuer for the purposes of Ontario securities law.

June 30, 2004.

"Cameron McInnis"

2.2.2 Candente Resource Corp. - ss. 83.1(1)

Headnote

Subsection 83.1(1) - issuer deemed to be a reporting issuer in Ontario - issuer already a reporting issuer in Alberta and British Columbia - issuer's securities listed for trading on the TSX Venture Exchange - continuous disclosure requirements in Alberta and British Columbia substantially the same as those in Ontario.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am. ss. 83.1(1).

IN THE MATTER OF
THE SECURITIES ACT
R.S.O 1990, CHAPTER S.5, AS AMENDED (the "Act")

AND

IN THE MATTER OF
CANDENTE RESOURCE CORP.

ORDER
(Subsection 83.1(1))

UPON the application (the "Application") of Candente Resource Corp. (the "Issuer") for an order pursuant to subsection 83.1(1) of the Act deeming the Issuer to be a reporting issuer for the purposes of Ontario securities laws;

AND UPON considering the Application and the recommendation of the staff of the Commission;

AND UPON the Issuer representing to the Commission that:

1. The Issuer was continued into the federal jurisdiction of Canada under the Canada Business Corporations Act on September 27, 2002.

2. The head office of the Issuer in Canada is located at 200 – 905 West Pender Street, Vancouver, British Columbia, V6C 1L6.

3. The Issuer is authorized to issue an unlimited number of common shares without par value.

4. As at June 8, 2004, 36,052,704 common shares of the Issuer are issued and outstanding.

5. The Issuer has been a reporting issuer under the *Securities Act* (British Columbia) (the "B.C. Act") since February 29, 2000 and a reporting issuer under the *Securities Act* (Alberta) (the "Alberta Act") since May 15, 2000. The Issuer is not in default of any requirements of the B.C. Act or the Alberta Act, or the regulations thereunder.

6. The common shares of the Issuer are listed on the TSX Venture Exchange (the "Exchange") and the

Issuer is in compliance with all of the requirements of the Exchange.

7. The Issuer is not designated as a capital pool company by the Exchange.

8. The Issuer has a significant connection to Ontario in that more than 10% of the Issuer's outstanding shares are held by beneficial owners who are residents of Ontario and more than 10% of the Issuer's shares are held by non-objecting beneficial owners (as defined in proposed National Instrument 54-101) who are residents of Ontario.

9. The Issuer is not a reporting issuer in Ontario and is not a reporting issuer, or equivalent, in any jurisdiction other than British Columbia and Alberta.

10. The continuous disclosure requirements of the B.C. Act and the Alberta Act are substantially the same as the requirements under the Act.

11. The continuous disclosure materials filed by the Issuer under the B.C. Act and the Alberta Act are available on the System for Electronic Document Analysis and Retrieval.

12. There have been no penalties or sanctions imposed against the Issuer by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority, and the Issuer has not entered into any settlement agreement with any Canadian securities regulatory authority.

13. Neither the Issuer nor any of its directors, officers nor, to the knowledge of the Issuer, its directors and officers, or any of its controlling shareholders, has: (i) been the subject of any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority, (ii) entered into a settlement agreement with a Canadian securities regulatory authority, or (iii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

14. Neither the Issuer nor any of its directors, officers nor, to the knowledge of the Issuer, its directors and officers, or any of its controlling shareholders, is or has been subject to (i) any known ongoing or concluded investigations by: (a) a Canadian securities regulatory authority, or (b) a court or regulatory body, other than a Canadian securities regulatory authority, that would be likely to be considered important to a reasonable investor making an investment decision; or (ii) any bankruptcy or insolvency proceedings, or other proceedings, arrangements or compromises with creditors, or the appointment of a receiver, receiver-manager or trustee, within the preceding 10 years.

15. None of the directors or officers of the Issuer, nor to the knowledge of the Issuer, its directors and officers, or any of its controlling shareholders, is or has been at the time of such event a director or officer of any other issuer which is or has been subject to: (i) any cease trade or similar orders, or orders that denied access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days, within the preceding 10 years; or (ii) any bankruptcy or insolvency proceedings, or other proceedings, arrangements or compromises with creditors, or the appointment of a receiver, receiver-manager or trustee, within the preceding 10 years.

AND UPON the Commission being satisfied that to do so would not be prejudicial to the public interest;

IT IS HEREBY ORDERED pursuant to subsection 83.1(1) of the Act that the Issuer be deemed to be a reporting issuer for the purposes of Ontario securities laws.

July 30, 2004.

"John Hughes"

2.2.3 Cash Pro Holdings Inc. - s. 83

Headnote

Issuer deemed to have ceased to be a reporting issuer. Issuer has twenty-two unitholders. No units have been transferred in the last sixteen years and no market for the units is expected to develop. Issuer is not in default of any of its statutory obligations as a reporting issuer.

Applicable Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., s. 83.

IN THE MATTER OF
THE SECURITIES ACT
R.S.O. 1990, C.S.5, AS AMENDED (the "Act")

AND

IN THE MATTER OF
RIDEAU HEIGHTS APARTMENT TRUST

ORDER
(Section 83)

UPON the application (the "Application") of Cash Pro Holdings Inc. (the "Applicant"), the sole trustee of the Rideau Heights Apartment Trust (the "Issuer"), for an order pursuant to section 83 of the Act deeming the issuer to have ceased to be a reporting issuer in Ontario;

AND UPON considering the Application and the recommendation of the staff of the Commission;

AND UPON the Applicant and the Issuer representing to the Commission that:

1. The Issuer was created through a Unitholders' Agreement and a Declaration of Trust, both dated the 21st day of July, 1976.

2. The principal office of the Applicant and the Issuer is located at 244 Camelot St., Thunder Bay, Ontario P7A 4B1.

3. The Issuer issued 100 trust units (the "Units") which are currently held by 22 investors (the "Investors"), all of whom are resident in Ontario.

4. The Units were issued pursuant to the terms of a prospectus dated September 23, 1976, which prospectus qualified the Units for sale in Ontario only.

5. The Applicant acts as sole trustee for the Investors in connection with a multiple unit residential building ("MURB") located in the City of Kingston, Ontario and has done so since December 2, 1988.

6. None of the Units have been transferred during the almost 16 years that the Applicant has been the sole trustee of the Issuer except to the estate and/or beneficiaries of deceased holders of Units.

7. The Units are not traded on a marketplace as defined in National Instrument 21-101 *Marketplace Operation.*

8. As of July 21, 2004, the following mortgages are outstanding on the MURB owned by the Issuer: (a) a first mortgage in favour of Montrose Financial Group in the approximate principal amount of $3,500,000 maturing April 1, 2008; and (b) a second mortgage in favour of Canada Mortgage and Housing Corporation in the approximate principal amount of $3,473,000 maturing December 1, 2026.

9. Other than as described above, the Issuer has no securities, including debt securities, outstanding.

10. Eighteen Investors holding 88.5 of the 100 Units have consented to the making of this order.

11. The Issuer has no plans to seek public financing by offering its securities in Canada.

12. The Issuer is applying for relief to cease to be a reporting issuer in the only jurisdiction in Canada in which it is currently a reporting issuer.

13. There is no market for the Units and the Applicant and the Issuer do not anticipate that any such market will develop.

14. The Issuer is not in default of any of its obligations as a reporting issuer under the Act.

AND UPON the Commission being satisfied that to so would not be prejudicial to the public interest;

IT IS HEREBY ORDERED pursuant to section 83 of the Act that the Issuer be deemed to have ceased to be a reporting issuer in Ontario.

August 6, 2004.

"Suresh Thakrar" "Paul K. Bates"

2.2.4 Medoro Resources Ltd. - ss. 83.1(1)

Headnote

Subsection 83.1(1) – issuer deemed to be a reporting issuer in Ontario – issuer a reporting issuer in Alberta and British Columbia – issuer's securities listed for trading on the TSX Venture Exchange – continuous disclosure requirements in Alberta and British Columbia substantially the same as those in Ontario – issuer had a significant connection to Ontario

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 83.1(1).

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, c. S.5, AS AMENDED, (the "Act")

AND

IN THE MATTER OF
MEDORO RESOURCES LTD.

ORDER
(Subsection 83.1(1))

UPON the application (the "Application") of Medoro Resources Ltd. (the "Corporation") to the Ontario Securities Commission (the "Commission") for an order pursuant to subsection 83.1(1) of the Act deeming the Corporation to be a reporting issuer for the purposes of Ontario securities laws;

AND UPON considering the Application and the recommendation of the staff of the Commission;

AND UPON the Corporation having represented to the Commission as follows:

1. Medoro is a company governed by the *Business Corporations Act* (Yukon) (the "YBCA") that was formed pursuant to the amalgamation of Full Riches Investments Ltd. ("Full Riches") and Medoro Resources Ltd. ("Predecessor Medoro") effective February 24, 2004.

2. Predecessor Medoro was incorporated under the provisions of the YBCA pursuant to the issuance of a certificate of incorporation dated November 14, 2003.

3. Full Riches was incorporated under the provisions of the *Company Act* (British Columbia) pursuant to a certificate of incorporation dated December 1, 1980 and was continued under the YBCA pursuant to articles of continuance dated January 21, 2004. Full Riches was a reporting issuer under the *Securities Act* (Alberta) and the *Securities Act* (British Columbia) for over a year.

4. The head office of Medoro is located at 110 Yonge Street, Suite 1502, Toronto, Ontario M5C 1T4. The registered office of Medoro is located at The Drury Building, 3081 Third Avenue, Whitehorse, Yukon Y1A 4Z7.

5. The authorized capital of Medoro consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series, of which 81,882,043 common shares and no preferred shares are issued and outstanding. An aggregate of 6,570,917 common shares of Medoro are also reserved for issuance on the exercise of warrants granted by Medoro. A further aggregate of 3,687,888 common shares of Medoro are also reserved for issuance on the exercise of stock options granted by Medoro.

6. Medoro is a reporting issuer under the *Securities Act* (Alberta) and the *Securities Act* (British Columbia). Medoro's common shares were listed on the TSX Venture Exchange (the "TSXVE") on March 2, 2004 and currently trade under the trading symbol "MRL".

7. Medoro has a significant connection to Ontario as its mind and management are principally located in Toronto, Ontario. In addition, while Medoro is not aware of the number of beneficial shareholders resident in the Province of Ontario, Medoro has ten registered shareholders resident in the Province of Ontario, including CDS & Co., which hold an aggregate of 32,847,656 common shares, representing approximately 40.1% of the issued and outstanding shares of Medoro. Not including CDS & Co., Medoro has registered shareholders resident in Ontario which hold an aggregate of 5,414,500 common shares, representing approximately 6.6% of the issued and outstanding common shares of Medoro. Medoro believes that it is reasonable to assume that beneficial shareholders of Medoro resident in Ontario own in excess of 10% of the issued and outstanding shares of Medoro.

8. The continuous disclosure requirements of the *Securities Act* (Alberta) and the *Securities Act* (British Columbia) are substantially the same as the requirements under the Act. The materials filed by Medoro and its predecessor Full Riches as a reporting issuer in the provinces of Alberta and British Columbia are available on the System for Electronic Document Analysis and Retrieval.

9. Medoro is not on the list of defaulting reporting issuers maintained pursuant to the *Securities Act* (Alberta) and the *Securities Act* (British Columbia). Medoro is not in default of any requirement of the TSXVE.

10. To the knowledge of Medoro and its directors or officers, none of Medoro, its directors or officers nor any shareholder holding sufficient securities of

Medoro to affect materially its control is or has been subject to:

(i) any known or ongoing or concluded investigations by:

(a) a Canadian securities regulatory authority, or

(b) a court or regulatory body, other than the Canadian securities regulatory authority, that would be likely to be considered important to a reasonable investor making an investment decision; or

(ii) any bankruptcy or insolvency proceedings, or other proceedings, arrangements or compromises with creditors, or the appointment of a receiver, receiver-manager or trustee, within the preceding 10 years.

11. None of Medoro, its officers or directors nor any shareholder holding sufficient securities of Medoro to affect materially its control has:

(i) been the subject of any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority;

(ii) entered into a settlement agreement with a Canadian securities regulatory authority; or

(iii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

12. Other than disclosed below, none of the directors or officers of Medoro, nor any shareholder holding sufficient securities of Medoro to affect materially its control, is or, within 10 years before the date hereof, has been, a director or officer of another issuer that, while the person was acting in that capacity, was the subject of a cease trade or similar order, or an order that denied access to any exemptions under securities laws, for a period of more than 30 consecutive days or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets,

13. Miguel de la Campa and Serafino Iacono, both directors of Medoro, who are both directors of Chivor Emerald Corporation Limited, are the subject of a cease trade order of the Commission dated June 15, 2000 due to the failure to file financial statements within prescribed time periods.

AND UPON the Commission being satisfied that to do so would not be prejudicial to the public interest;

IT IS HEREBY ORDERED pursuant to subsection 83.1(1) of the Act that the Corporation be deemed to be a reporting issuer for the purposes of the Act.

July 20, 2004.

“Erez Blumberger”

2.2.5 International Rochester Energy Corp. - s. 144

Headnote

Partial revocation of cease trade order to permit trades of securities in connection with a share consolidation and a financing.

Ontario Statutes

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 127 and 144.

Ontario Policies

OSC Policy 57-603 Defaults by Reporting Issuers in Complying with Financial Statement Filing Requirements.

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990 c. S-5, AS AMENDED (the "Act")

AND

IN THE MATTER OF
INTERNATIONAL ROCHESTER ENERGY CORP.

ORDER
(Section 144)

WHEREAS the securities of International Rochester Energy Corp. ("Rochester") are subject to a cease trade order issued by the Ontario Securities Commission (the "Commission") on March 11, 2003 (the "Cease Trade Order");

AND WHEREAS Rochester has applied to the Commission pursuant to Section 144 of the Act (the "Application") for a partial revocation of the Cease Trade Order;

AND UPON Rochester having represented to the Commission that:

(a) Rochester was incorporated under the Company Act (British Columbia) on October 3, 1983, and was continued under the Business Corporations Act (Alberta) on March 5, 1999.

(b) Rochester is a reporting issuer in the provinces of Alberta, British Columbia and Ontario.

(c) Rochester was granted a full revocation of a prior cease trade order by the Alberta Securities Commission on April 8, 2004 and a partial revocation by the British Columbia Securities Commission on May 26, 2004 to allow it to complete a shares-for-debt financing to residents of British Columbia and Alberta only, a private placement financing (the "Financing"), and to consolidate its share capital (the "Consolidation").

(d) Pursuant to the Financing, Rochester proposes to issue up to 3,000,000 post-consolidation common shares at a price of $0.10 per share for total proceeds of up to $300,000.

(e) The Commission issued the Cease Trade Order because Rochester failed to file audited annual financial statements for the year ended September 30, 2002.

(f) The annual financial statements for the year ended September 30, 2002 have now been filed, and Rochester has also filed on SEDAR unaudited financial statements for the three months ended December 31, 2002; unaudited financial statements for the six months ended March 31, 2003; audited financial statements for the nine months ended June 30, 2003; audited annual financial statements for the year ended September 30, 2003; and unaudited financial statements for the three months ended March 31, 2004. These filings have been mailed to Rochester's shareholders in accordance with applicable securities laws and they, together with the confirmation of mailing have been filed on SEDAR.

(g) The common shares of Rochester were formerly listed and posted for trading on the Toronto Stock Exchange; however, the Toronto Stock Exchange delisted Rochester's common shares on November 27, 2000 because Rochester failed to maintain its listing requirements. The shares of Rochester last traded on the Toronto Stock Exchange at a price of $0.04 per share on November 25, 1999. Rochester has no securities, including debt securities, listed or quoted on any exchange or market.

(h) The authorized capital of Rochester consists of an unlimited number of common shares of which 9,280,290 are issued and outstanding. To the knowledge of Rochester no shareholder owns more than 10% of any class of securities of Rochester. At the annual general meeting of Rochester held on March 28, 2002, shareholders approved the Consolidation. The Consolidation of Rochester's common shares will be on the basis of one share for every nine issued. On completion of the Consolidation, Rochester will have 1,031,143 common shares issued and

outstanding. Shareholders also approved a change of name for Rochester to "Rochester Energy Corp.".

(i) Rochester held its most recent Annual and Special Meeting of Shareholders on June 16, 2004 (the "Meeting"). At the Meeting, Rochester's shareholders voted on and passed special resolutions authorizing the Financing and the adoption of a stock option plan. To the extent that any of these actions constitute a contravention of the Cease Trade Order, such contravention was inadvertent (the "Inadvertent Contravention"). Rochester has apprised itself of the restrictions contained in the Cease Trade Order, and its obligations under the Legislation generally, to ensure future compliance with the terms of the Cease Trade Order.

(j) Rochester requires additional funds for the following purposes:

(i) To fund the acquisition of a new oil and gas property in order to revitalize its oil and gas business;

(ii) To fund an application for listing on the TSX Venture Exchange; and

(iii) To provide working capital.

(k) Rochester cannot complete the Financing nor the Consolidation because of the Cease Trade Order.

(l) All share distributions in connection with the Financing and the Consolidation will comply with applicable securities legislation.

(m) Concurrent with the Financing, Rochester will provide each Ontario resident who receives securities thereunder with the following:

(i) a copy of the Cease Trade Order;

(ii) a copy of this Order; and

(iii) written notice that any securities they hold prior to the Financing, as well as any they receive pursuant to the Financing, remain subject to the Cease Trade Order and may not be traded until and unless the Cease Trade Order is fully revoked by a further order of the Commission.

(n) Rochester is not considering, nor is it involved in any discussion relating to a reverse take-over, merger, amalgamation or other form of combination or transaction similar to any of the foregoing.

(o) Rochester will proceed with an application for a full revocation of the Cease Trade Order in due course in order that trading in its securities may resume generally.

(p) Other than the Cease Trade Order and the Inadvertent Contravention, Rochester is not, to its knowledge, in default of any other provision of the Act, or the rules and regulations made pursuant thereto;

AND UPON considering the Application and the recommendation of the staff of the Commission;

AND UPON the Director being satisfied that to do so would not be prejudicial to the public interest;

IT IS ORDERED pursuant to section 144 of the Act that the Cease Trade Order be partially revoked solely to permit the trades and the acts in furtherance of trades that occur on or after the date of this Order that are necessary to complete the Financing and the Consolidation.

July 28, 2004.

"Erez Blumberger"

2.2.6 Funtime Hospitality Corp. - s. 144

Headnote

Cease trade order revoked where the issuer has remedied its default in respect of disclosure requirements under the Act.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 127(1)2, 127(5), 127(8), 144.

IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, CHAPTER S.5, AS AMENDED (the "Act")

AND

IN THE MATTER OF
FUNTIME HOSPITALITY CORP.

ORDER
(Section 144)

WHEREAS the securities of Funtime Hospitality Corp. (the "Corporation") are subject to a Temporary Order of the Director dated November 21, 2003 under paragraph 127(1)2 and subsection 127(5) of the Act, as extended by an Order of the Director dated December 3, 2003 under subsection 127(8) of the Act (together, the "Cease Trade Order") directing that trading in the securities of the Corporation cease;

AND WHEREAS the Corporation has applied to the Ontario Securities Commission (the "Commission") for revocation of the Cease Trade Order pursuant to section 144 of the Act;

AND UPON the Corporation having represented to the Commission that:

1. The Corporation was formed by Articles of Amalgamation under the laws of the Province of Ontario on December 6, 1995;

2. The Corporation is a reporting issuer in the Provinces of Alberta, British Columbia and Ontario;

3. The Cease Trade Order was issued as a result of the failure of the Corporation to file its audited annual financial statements for the year ended June 30, 2003 (the "Annual Financial Statements") as required by the Act;

4. Subsequently, the Corporation failed to file unaudited interim financial statements for the three-month periods ended September 30, 2003, December 31, 2003 and March 31, 2004 (collectively, the "Interim Financial Statements");

5. The Annual Financial Statements and the Interim Financial Statements were filed with the Commission on June 1, 2004; and

6. Except for the Cease Trade Order, the Corporation is not otherwise in default of any requirement of the Act or the regulations made under the Act;

AND UPON considering the application and the recommendation of staff of the Commission;

AND UPON the Commission being satisfied that to do so would not be prejudicial to the public interest;

IT IS ORDERED pursuant to section 144 of the Act that the Cease Trade Order be revoked.

August 9, 2004.

"Kelly Gorman"

2.2.7 Sovereign Limited Partnership and Knightsbridge London Limited Partnership 1993 - s. 144

Headnote

Request for partial revocation of cease trade orders to permit transfer of units pursuant to a settlement agreement. Cease trade orders issued for failure to file financial statements. Relief granted subject to conditions. Applicants have provided an undertaking to the Commission to file an application to have the cease trade orders revoked and to take all other necessary steps to have the cease trade orders revoked by September 15, 2004.

Ontario Statutes

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 127 and 144.

Ontario Policies

OSC Policy 57-603 Defaults by Reporting Issuers in Complying with Financial Statement Filing Requirements.

IN THE MATTER OF
THE SECURITIES ACT
R.S.O. 1990, C. S.5, AS AMENDED (the "Act")

AND

IN THE MATTER OF
SOVEREIGN LIMITED PARTNERSHIP
AND KNIGHTSBRIDGE LONDON LIMITED
PARTNERSHIP 1993

ORDER
(Section 144)

WHEREAS the securities of Sovereign Limited Partnership ("Sovereign") and Knightsbridge London Limited Partnership 1993 ("Knightsbridge 1993") (collectively, "Sovereign and Knightsbridge 1993, the "Applicants") are subject to a cease trade order dated August 12, 1998 with respect to Sovereign and a cease trade order dated September 19, 2003 with respect to Knightsbridge 1993 (collectively, the "CTOs") issued by the Ontario Securities Commission (the "Commission");

AND WHEREAS the Applicants have applied to the Commission for a partial revocation of the CTOs pursuant to section 144 of the Act solely to permit the trade of limited partnership units issued by Sovereign (the "Sovereign Units") and Knightsbridge 1993 (the "Knightsbridge 1993 Units") (collectively, the Sovereign Units and the Knightsbridge Units, the "Units") to 1450473 Ontario Inc. (the "Purchaser");

AND UPON the Applicants having represented to the Commission that:

(a) Sovereign is a limited partnership under the laws of Ontario. Sovereign General Partner Limited is the general partner of Sovereign.

(b) Sovereign is a reporting issuer in Ontario, having become such on or about December 31, 1992 upon obtaining a receipt for a prospectus with respect to the distribution of Sovereign Units in Ontario, and is not a reporting issuer in any other jurisdiction.

(c) Fourteen Sovereign Units held by 10 unitholders are outstanding. Mandeville Financial Services Limited ("Mandeville"), an affiliate of the Purchaser, owns 4 units. Sovereign has no other securities, including debt securities, outstanding.

(d) The CTO regarding Sovereign was issued by reason of the failure of Sovereign to file with the Commission audited annual statements for the year ended December 31, 1997.

(e) Sovereign and Sovereign General Partner Limited have provided an undertaking to the Commission to file an application to have the CTO revoked and to take all other necessary steps to have the CTO revoked by September 15, 2004.

(f) Sovereign and Sovereign General Partner Limited have apprised themselves of their obligations under Ontario securities legislation to ensure future compliance with Ontario securities legislation.

(g) Knightsbridge 1993 is a limited partnership under the laws of Ontario. Knightsbridge Baseline Limited is the general partner of Knightsbridge 1993.

(h) Knightsbridge 1993 is a reporting issuer in Ontario, having become such on or about May 31, 1993 upon obtaining a receipt for a prospectus with respect to the distribution of Knightsbridge 1993 Units in Ontario, and is not a reporting issuer in any other jurisdiction.

(i) Twenty-one Knightsbridge 1993 Units held by 18 unitholders are outstanding. Knightsbridge 1993 has no other securities, including debt securities, outstanding.

(j) The CTO regarding Knightsbridge 1993 was issued by reason of the failure of Knightsbridge 1993 to file with the

Commission interim statements for the six-month period ended June 30, 2003.

(k) Knightsbridge 1993 and Knightsbridge Baseline Limited have provided an undertaking to the Commission to file an application to have the CTO revoked and to take all other necessary steps to have the CTO revoked by September 15, 2004.

(l) Knightsbridge 1993 and Knightsbridge Baseline Limited have apprised themselves of their obligations under Ontario securities legislation to ensure future compliance with Ontario securities legislation.

(m) Sovereign, Sovereign General Partner Limited, or a "related party" (as the term is defined under Commission Rule 61-501 Insider Bids, Issuer Bids, Going Private Transactions and Related Party Transactions ("Related Party")) of Sovereign or Sovereign General Partner Limited is not a Related Party of Knightsbridge 1993, Knightsbridge Baseline Limited or a Related Party of Knightsbridge 1993 or Knightsbridge Baseline Limited.

(n) None of the Plaintiffs are a Related Party of any of the Purchaser, Sovereign, Sovereign General Partner Limited, Knightsbridge 1993 or Knightsbridge Baseline Limited.

(o) In 1997, two unitholders of Sovereign and four unitholders of Knightsbridge 1993 (the "Plaintiffs") and others, including the holders of units of other limited partnerships, commenced an action (the "Litigation") against Sovereign, Knightsbridge 1993 and other entities, including other limited partnerships, appraisers and investment advisors (the "Defendants"). There are approximately 68 parties to the Litigation.

(p) As part of the resolution of the Litigation, Sovereign, Knightsbridge 1993 and other parties to the Litigation agreed to a settlement set out in the minutes of settlement dated January 7, 2004, which followed a memorandum of understanding dated October 3, 2003, which requires, among other things, that a "defence entity" purchase all the Units currently held by the Plaintiffs (the "Proposed Transaction"). Affiliates of Sovereign General Partner Limited and Knightsbridge Baseline Limited subsequently determined that the "defence entity" would be the Purchaser, an affiliate of Sovereign General Partner Limited. There has been no admission of liability of the allegations in the Litigation by any party.

(q) The Purchaser is an accredited investor within the meaning of Commission Rule 45-501 Exempt Distributions.

(r) The value of each of Sovereign and Knightsbridge 1993 will not be impaired in any way as a result of the Proposed Transaction.

(s) Sovereign Units and four Knightsbridge 1993 Units or 19.05% of the Knightsbridge 1993 Units will be transferred to the Purchaser. Following the Proposed Transaction, 42.86% of the Sovereign Units and 19.05% of the Knightsbridge 1993 Units will be held by the Purchaser or affiliates of the Purchaser.

(t) The Plaintiffs and the Applicants had independent legal representation prior to approving the Minutes of Settlement.

AND UPON considering the Application and the recommendation of the staff of the Commission;

AND UPON the Director being satisfied that to do so would not be prejudicial to the public interest;

IT IS ORDERED, pursuant to section 144 of the Act, that the CTOs be partially revoked solely to permit the trades of the Units to the Purchaser pursuant to the Proposed Transaction.

July 29, 2004.

"Erez Blumberger"

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Chapter 3

Reasons: Decisions, Orders and Rulings

3.1 Reasons for Decision

3.1.1 First Canadian Capital (Canada) Corporation and Monte Morris Friesner

**IN THE MATTER OF
THE SECURITIES ACT,
R.S.O. 1990, CHAPTER S.5, AS AMENDED**

AND

**IN THE MATTER OF
FIRST FEDERAL CAPITAL (CANADA)
CORPORATION AND MONTE MORRIS FRIESNER**

Hearing: July 9, 2004

Panel:	Paul M. Moore, Q.C.	Vice-Chair of the Commission (Chair of the Panel)
	M. Theresa McLeod	Commissioner
	Harold P. Hands	Commissioner
Counsel:	Walter Fox	For First Canadian Capital (Canada) Corporation and Monte Morris Friesner
	Alexandra S. Clark	For Staff of the Commission

DECISION AND REASONS

I. Background

[1] This panel's reasons on the merits of this matter were released on February 3, 2004. We held that it was in the public interest to order that the respondents pay the costs of the Commission's investigation and hearing, pursuant to section 127.1 of the *Ontario Securities Act,* R.S.O. 1990, c.S.5 (the Act). We invited the parties to arrange for the exchange of information and to arrange a costs hearing. The matter before us is the hearing into the quantum of costs.

II. Preliminary Issue – Motion for Adjournment

[2] As a preliminary issue, counsel for Friesner moves for an adjournment. He submits that disclosure of costs by staff of the Commission (staff) is insufficient to meet the test set out in the Divisional Court decision of *Donnini* v. *Ontario Securities Commission* (2003), 37 B.L.R. (3d) 46 (*Donnini*). An adjournment, he argues, would permit staff to provide a more detailed accounting of how its bill of costs was arrived at and to allow for cross-examination of those mentioned in the accounts. He notes that Friesner was unrepresented by counsel until the day before this hearing. As a result, he only became aware of staff's bill of costs in late June 2004 and was unable to request an adjournment on his own. An affidavit by Friesner was tendered in support of the second ground.

[3] We have considered the motion as presented, the arguments of counsel, and Friesner's affidavit. We dismiss this motion as being out of time according to the Commission's Rules of Practice. We shall not exercise our discretion to waive the time limits in the Rules of Practice and will deal with the issue of the adequacy of staff's bill of costs in the body of these reasons.

III. Staff's Bill of Costs and Dockets

[4] Staff has submitted a bill of costs in the amount of $32,332.60, covering the period April 1, 2000 to May 26, 2003. Disbursements are supported by invoices totalling $256.10. Fees are broken down into two components, $27,470.00 in respect of litigation hours and $4,606.50 in respect of investigation hours. In support of these calculations are the dockets of the sole investigator, Colin McCann, and the dockets of enforcement legal counsel who worked on the file at various times, Sara Oseni, Kate Wooton, and Alexandra Clark.

[5] The dockets are in a common format. Under the name of each member of staff who worked on this file is a list of entries. Each entry is a single line that groups under descriptions the tasks performed on a weekly basis, and the number of hours spent performing the task. The tasks are grouped under generic words or shorts phrases, such as "Analysis", "Settlement", and "Preparing hearing/court proceedings". Staff advises us that the dockets are entered electronically on a weekly basis, and that the software used by the Enforcement branch of the Commission allows only preset task categories under which relevant tasks are grouped. The software does not allow for the entry of free-text descriptions or elaborations of activities performed by staff. A task description such as "Analysis", staff explains, may encompass several tasks, such as reviewing the file and reviewing caselaw.

[6] Counsel for staff advise that there are no other notes or docket information in existence.

[7] In correspondence dated May 27, 2003, staff provided Ron Pelletier, then-counsel for Friesner, with its bill of costs and disbursement invoices. On February 24, 2004, staff provided Jim Douglas, who succeeded Ron Pelletier as Friesner's counsel, with copies of the dockets mentioned above.

IV. Submissions of the Parties

[8] Staff submits that sufficient particulars have been provided to support the bill of costs in this matter. The bill of costs itself represents an appropriate balancing of the interests of the capital markets and fairness to Friesner. Staff argues that, as part of this balancing, the costs allocated to Friesner have been significantly discounted.

[9] Staff distinguishes this case from that of *Donnini*. In *Donnini*, no dockets were provided in support of a bill of costs amounting to $186,052.30. Staff submits that dockets in the identical format to those presented today have been accepted as the evidentiary basis for the calculation of the bill of costs by the Commission in matters following *Donnini.*

[10] Staff quotes the Divisional Court's statement in *Donnini*: "a claim for costs in this amount justifies a more intense and searching examination than the OSC is prepared to allow." She submits that, pursuant to *Donnini*, the degree of detail required in support of a bill of costs is proportional to the amount of costs claimed.

[11] Counsel for Friesner submits that that the dockets are insufficient: they do not provide full information about the specific activities performed by staff. They are, he contends, only summaries of dockets, insufficient to allow the Commission to reach a conclusion about the adequacy of the bill of costs.

[12] Counsel for Friesner argues that Friesner deserves a limited form of discovery to uncover further particulars underlying the dockets. He submits that Friesner should be allowed to cross-examine those named in the dockets about their activities, and he cites *Donnini* in support of his argument.

[13] Staff replies that, while the Commission has discretion to allow cross examination in a cost proceeding, cross-examination is an extraordinary procedure that should only be used where there is a reasonable concern that the there is a material error in the dockets. She contends that there is no such evidence before us and that cross-examination would be inappropriate in this hearing. Staff further submits that the Divisional Court's statement quoted by counsel for Friesen can again be distinguished on the basis that no dockets had been submitted in *Donnini* in support of that bill of costs.

V. Analysis & Conclusion

[14] In our decision on the merits, this panel determined that it was in the public interest to order that the respondents pay the costs of the Commission's investigation and hearing with respect to this matter. We must now determine the quantum of costs. This is a question of fact for the Commission to determine. We must consider all of the evidence before us in deciding the appropriate amount of costs.

[15] The sections of the Divisional Court's ruling in *Donnini* that are most relevant to this hearing are found in paragraphs 38 and 39 of its reasons:

> 38. … In our view, a claim for costs in this amount justifies a more intense and searching examination than the OSC is prepared to allow.
>
> 39. We are of the view that the OSC erred in this regard. An order for costs is simply a fine by another name, unless it is a true reflection of the actual and reasonable costs of the nature specified as recoverable in section 127.2 of the Act. These are questions of fact and, like all such questions, must be resolved upon evidence, disclosure, documents and including cross-examination. Accordingly, we direct that the manner of costs be referred back to the OSC to conduct an inquiry into the extent of the bill and to make available for counsel for Donnini all dockets, time dockets, journal and/or diary entries and other back-up material in support of it, and to make available all participants whose names appear on it for cross-examination by counsel for Donnini at a mutually convenient time.

[16] This is not a case where cross-examination would be appropriate.

[17] We accept staff's statement that the costs in this matter have not been fully included in the bill of costs. However, we disagree with staff's submission that a lower bill of costs requires less detail in support of it. Every determination of the quantum of costs is a question of fact for the panel, and must be supported by appropriately detailed evidence and documents.

[18] In this case, we find the docket entries to be insufficiently detailed to be given full weight.

[19] Since the bill of costs did not include costs incurred by the Commission prior to April 1, 2000 or subsequent to May 26, 2003 (which excluded costs for the three days prior to the hearing and the day of the hearing), we also will ignore the unincluded costs. We have concerns with the paucity of detail provided in staff's dockets. Accordingly, we are not satisfied that the full value of the costs reflected in the bill of costs has been justified in this case. We believe that a substantial discount is warranted.

[20] For the above reasons, we fix the quantum of costs in this matter at $20,000.00.

[21] We order that costs in this amount be paid, jointly and severally, by the respondents.

August 3, 2004.

"Paul M. Moore" "M. Theresa McLeod" "Harold P. Hands"

Chapter 4

Cease Trading Orders

4.1.1 Temporary, Extending & Rescinding Cease Trading Orders

Company Name	Date of Temporary Order	Date of Hearing	Date of Extending Order	Date of Lapse/Revoke
McWatters Mining Inc.	29 Jul 04	10 Aug 04	10 Aug 04	
The Tanbridge Corporation	30 Jul 04	11 Aug 04	11 Aug 04	
Transpacific Resources Inc.	03 Aug 04	13 Aug 04		
Wenzel Downhole Tools Ltd.	29 Jul 04	10 Aug 04	10 Aug 04	

4.2.1 Management & Insider Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Extending Order	Date of Lapse/ Expire	Date of Issuer Temporary Order
Argus Corporation Limited	25 May 04	03 Jun 04	03 Jun 04		
Cabletel Communications Corp.	25 May 04	07 Jun 04	07 Jun 04		
Hollinger Canadian Newspapers, Limited Partnership	18 May 04	01 Jun 04	01 Jun 04		
Hollinger Inc.	18 May 04	01 Jun 04	01 Jun 04		
Hollinger International Inc.	18 May 04	01 Jun 04	01 Jun 04		
Nortel Networks Corporation	17 May 04	31 May 04	31 May 04		
Nortel Networks Limited	17 May 04	31 May 04	31 May 04		
Wastecorp. International Investments Inc.	20 Jul 04	30 Jul 04	30 Jul 04		

4.3.1 Issuer CTO's Revoked

Company Name	Date of Revocation
Funtime Hospitality Corp.	**09 Aug 04**

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Chapter 7

Insider Reporting

This chapter is available in the print version of the OSC Bulletin, as well as as in Carswell's internet service SecuritiesScource (see www.carswell.com).

This chapter contains a weekly summary of insider transactions of Ontario reporting issuers in the System for Electronic Disclosure by Insiders (SEDI). The weekly summary contains insider transactions reported during the seven days ending Sunday at 11:59 pm.

To obtain Insider Reporting information, please visit the SEDI website (www.sedi.ca).

Chapter 8

Notice of Exempt Financings

REPORTS OF TRADES SUBMITTED ON FORM 45-501F1

Transaction Date	Purchaser	Security	Total Purchase Price ($)	Number of Securities
27-Jul-2004	10 Purchasers	Absolut Resources Corp. - Units	1,580,780.00	1,580,780.00
23-Jul-2004	Luba Pettipas	Acuity Pooled Balanced Fund - Trust Units	50,000.00	2,893.00
23-Jul-2004 to 26-Jul-2004	Marjory Szucki David Bowker	Acuity Pooled Canadian Equity Fund - Trust Units	273,180.97	12,481.00
21-Jul-2004	Ian Moddison	Acuity Pooled Canadian Small Cap Fund - Trust Units	50,000.00	2,687.00
21-Jul-2004	Ian Moddison	Acuity Pooled Core Canadian Equity Fund - Trust Units	50,000.00	3,098.00
22-Jul-2004 to 27-Jul-2004	9 Purchasers	Acuity Pooled High Income Fund - Trust Units	832,000.00	46,868.00
22-Jul-2004 to 26-Jul-2004	5 Purchasers	Acuity Pooled Income Trust Fund - Trust Units	585,000.00	39,065.00
26-Jul-2004	41 Purchasers	Adriana Ventures Inc. - Common Shares	13,260.00	265,193.00
04-Aug-2004	Steven C. Spicer	AIM Funds Management Inc. - Preferred Shares	516,000.00	1,290,000.00
31-Jul-2004	3 Purchasers	Alternum Capital - North American Value Hedge Fund - Limited Partnership Units	6,113.69	9.00
16-Jul-2004	Strategic Energy Fund Norman Grill	Arrow Energy Ltd. - Common Shares	505,050.00	481,000.00
16-Jul-2004	3 Purchasers	Arrow Energy Ltd. - Flow-Through Shares	1,800,000.00	1,440,000.00
19-Jul-2004	10 Purchasers	Asian Mineral Resources Limited - Units	160,877.36	287,281.00
22-Jul-2004	94272 Canada Limited	Body Shop International plc, The - Shares	8,025,000.00	2,116,016.00
04-Mar-2004	UBS Bank (Canada)	Bond Trust - Units	4,231,748.76	446,387.00
21-Jul-2004	Royal Bank of Canada	Brickstream Corporation - Shares	5,314,341.00	35,171,019.00

16-Jul-2004	9 Purchasers	Camflo International Inc. - Flow-Through Shares	1,970,700.15	3,583,091.00
15-Jul-2004	13 Purchasers	Camflo International Inc. - Shares	3,204,750.00	6,409,500.00
30-Jul-2004	Newmont Mining Corporation of Canada Limited	Canadian Oil Sands Trust - Trust Units	144,000,000.00	3,000,000.00
28-May-2004	Ontario Teachers Pension Plan Board and Citibank Canada	Capital International Emerging Markets Fund - Shares	19,131,679.00	393,054.00
18-May-2004	Yan-Fei Liu & Yisha Chan Catherine Binsell	CareVest Blended Mortgage Investment Corporation - Preferred Shares	100,000.00	100,000.00
01-Jun-2004	Cora Doreen Francis,Yvonne & Andrew Ross Rahn	CareVest First Mortgage Investment Corporation - Preferred Shares	20,000.00	20,000.00
24-May-2004	4 Purchasers	CareVest First Mortgage Investment Corporation - Preferred Shares	96,129.00	96,129.00
01-Jun-2004	Andrew Ross & Yvonne Rahn Ben Niu	CareVest Second Mortgage Investment Corporation - Preferred Shares	50,000.00	50,000.00
22-Jul-2004	J.L. Albright III Venture Fund	CES Software plc - Warrants	3,864,500.00	1,475,000.00
30-Jul-2004	8 Purchasers	CGO&V Balanced Fund - Trust Units	182,634.43	14,788.00
30-Jul-2004	9 Purchasers	CGO&V Cumberland Fund - Trust Units	52,182.93	3,961.00
02-Jul-2004 to 30-Jul-2004	6 Purchasers	CGO&V Enhanced Yield Fund - Trust Units	510,227.15	56,485.00
30-Jul-2004	8 Purchasers	CGO&V Hazelton Fund - Trust Units	712,120.00	56,384.00
16-Jun-2004	3 Purchasers	Citigroup Global Markets Inc. - Notes	1,400,000.00	6.00
30-Jun-2004	3 Purchasers	CI Trident Fund - Units	450,000.00	2,560.00
22-Jul-2004 to 26-Jul-2004	21 Purchasers	Coastal Contacts Inc. - Units	833,600.00	1,042,000.00
28-Jul-2004	53 Purchasers	Cyries Energy Inc. - Common Shares	15,510,000.00	2,820,000.00
16-Jul-2004	45 Purchasers	DB Mortgage Investment Corporation #1 - Common Shares	2,458,000.00	2,458.00
16-Jul-2004	34 Purchasers	Dynex Power Inc. - Units	2,019,444.40	4,487,654.00

30-Jul-2004	CMP 2004 Resource Limited Partnership and Canada Dominion 2004 Limited Partnership	Ecstall Mining Corporation - Flow-Through Shares	229,999.00	2,000,000.00
26-Mar-2004	Air Canada Pension Trust Fund	Emerging Markets Growth Fund, Inc. - Shares	46,200,000.00	540,290.00
30-Jul-2004	Peter Langham	Endeavour Flow-Through (2004) Limited Partnership - Limited Partnership Units	25,000.00	2,500.00
27-Jul-2004	6 Purchasers	Extreme Energy Corporation - Flow-Through Shares	1,410,000.00	2,820,000.00
27-Jul-2004	5 Purchasers	Extreme Energy Corporation - Units	188,062.00	442,500.00
23-Jul-2004	6 Purchasers	FisherCast Global Corporation - Shares	4,630,000.00	6,098.00
03-Aug-2004	6 Purchasers	Greystar Resources Ltd. - Common Shares	6,395,045.92	2,620,920.00
28-Jul-2004	Integrity Marketing Inc.	HCX Canadian Management Limited Partnership - Limited Partnership Units	25,000.00	1.00
29-Jul-2004	Francesco Aiello	Ideal Life Inc. - Common Shares	50,000.00	50,000.00
28-Jul-2004	3 Purchasers	Interactive Exploration Inc. - Units	33,000.00	220,000.00
26-Jul-2004	TD Capital Private Equity Ontario Teachers Pension Plan Board	Investitori Associati IV - Units	70,645,420.00	874.00
29-Jun-2004	5 Purchasers	Inviro Medical Inc. - Common Shares	30,498.00	89,700.00
20-Jul-2004	Slemko Investment Corporation	Landmark Global Financial Corporation - Common Shares	15,000.00	150,000.00
29-Jul-2004	10 Purchasers	Lemontonic Inc. - Units	1,389,000.00	3,968,570.00
01-Jun-2004	Royal Bank of Canada	Loch Capital Fund (Offshore) Ltd. - Redeemable Shares	1,075,000.00	1075000.00
27-Jul-2004	5 Purchasers	Miraculins Inc. - Units	210,000.00	210,000.00
01-Jun-2004	3 Purchasers	Montrachet Investments Limited Partnership - Limited Partnership Units	1,350,000.00	135,000.00
29-Jul-2004	Royal Bank of Canada	Moors & Mendon Offshore Fund, Ltd. - Redeemable Shares	500,000.00	500,000.00
22-Jul-2004	6 Purchasers	Natural Convergence Inc. - Preferred Shares	4,403,327.00	25,600,737.00
30-Jul-2004	7 Purchasers	Northwestern Mineral Ventures Inc. - Flow-Through Shares	125,660.00	206,000.00

23-Jul-2004	4 Purchasers	Nustar Resources Inc. - Units	250,000.00	3,125,000.00
22-Jul-2004	16 Purchasers	Ozz Corporation - Units	8,979,000.00	8,979,000.00
05-Aug-2004	13 Purchasers	PGM Ventures Corporation - Common Shares	1,477,572.46	1,507,727.00
28-Jul-2004	6 Purchasers	PGM Ventures Corporation - Units	320,000.00	640,000.00
26-Jul-2004	Nursing Homes and Related Industries Pension Plan	Real Assets US Social Equity Index Fund - Units	13,494.32	1,921.00
30-Jul-2004	Nursing Homes and Related Industries Pension Plan	Real Assets US Social Equity Index Fund - Units	4,114.00	577.00
23-Jul-2004	Brian O'Higgins	Recognia Inc. - Notes	5,000.00	1.00
21-Jul-2004	3 Purchasers	RepeatSeat Inc. - Units	300,000.00	375,000.00
30-Jun-2004	CIBC World Markets Inc.	Rocket Trust - Notes	25,000,000.00	1.00
21-Jul-2004	6 Purchasers	Stonestreet Limited Partnership - Limited Partnership Units	516,255.86	40,688.00
28-Jul-2004	4 Purchasers	Stratic Energy Corporation - Common Shares	375,000.00	937,500.00
28-Jul-2004	5 Purchasers	Stratic Energy Corporation - Warrants	395,000.00	987,500.00
31-Jul-2004	Sandy Tecimer	TD Harbour Capital Canadian Balanced Fund - Trust Units	5,500.00	40.00
22-Jul-2004 to 28-Jul-2004	6 Purchasers	Temple Energy Inc. - Common Shares	1,560,000.00	15,600,000.00
02-Jul-2003 to 30-Jun-2004	171 Purchasers	The GS+A Global Fund - Limited Partnership Units	37,440,046.59	319,354.00
02-Jul-2003 to 30-Jun-2004	105 Purchasers	The GS+A Growth Fund - Limited Partnership Units	7,881,016.76	93,112.25
02-Jul-2003 to 30-Jun-2004	226 Purchasers	The GS+A Premium Income Fund - Limited Partnership Units	23,690,266.97	162,380.00
01-Mar-2004 to 30-May-2004	7 purchasers	The GS+A Small-Cap Fund - Limited Partnership Units	1,134,000.00	11,446.00
02-Jul-2003 to 30-Jun-2004	272 Purchasers	The GS+A Value Fund - Limited Partnership Units	34,407,175.13	262,579.00
21-Jul-2004	7 Purchasers	Torigian & Williamson, LLC - Units	105,000.00	11.00

05-May-2004 to 24-Jun.2004	4 Purchasers	Trafalgar Trading Limited - Units	100,000,000.00	5,790,342.00
23-Jul-2004	Alcatel Canada Inc.	Tropic Networks Inc. - Preferred Shares	23,000,000.00	50,663,861.00
30-Jul-2004 to 04-Aug-2004	3 Purchasers	Ursa Major Minerals Incorporated - Warrants	1,375,000.00	1,250,000.00
23-Jun-2004	6248276 Canada Inc.	Vector Aerospace Corporation - Units	345,000.00	150,000.00
20-Jul-2004	Argosy Bridge Fund L.P. I.	x.eye Inc. - Common Shares	1.00	5,000.00

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Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Global Diversified Investment Grade Income Trust
Principal Regulator - Quebec
Type and Date:
Amended and Restated PREP Prospectus dated August 5, 2004
Mutual Reliance Review System Receipt dated August 6, 2004
Offering Price and Description:
FIXED/FLOATING RATE UNITS, SERIES 2004-1
Maximum: $100,000,000 (10,000,000 Units)
Minimum: $40,000,000 (4,000,000 Units)
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
CIBC World Markets Inc.
Canaccord Capital Corporation
Dudee Securities Corporation
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Desjardins Securities Inc.
First Associates Investments Inc.
Wellington West Capital Inc.
McFarlane Gordon Inc.
Berkshire Securities
Promoter(s):
OpenSky Capital
Project #615804

Issuer Name:
Northland Power Income Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated August 9, 2004
Mutual Reliance Review System Receipt dated August 9, 2004
Offering Price and Description:
$65,000,000.00 - 6.50% Convertible Unsecured Subordinated Debentures due June 30, 2011
Price: 100% plus accured interest, if any
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
Canaccord Capital Corporation
FirstEnergy Capital Corp.
Promoter(s):
-
Project #674326

Issuer Name:
Saxon Money Market Fund
Saxon Bond Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated August 9, 2004
Mutual Reliance Review System Receipt dated August 10, 2004
Offering Price and Description:
Class A and B Units
Underwriter(s) or Distributor(s):
Saxon Mutual Funds Limited
Saxon Mutual Funds Limited
Promoter(s):
Saxon Funds Management Limited
Project #674429

Issuer Name:
Taylor NGL Limited Partnership
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated August 4, 2004
Mutual Reliance Review System Receipt dated August 4, 2004
Offering Price and Description:
$ * - * Limited Partnership Units Price: $ * per Unit
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
Clarus Securities Inc.
National Bank Financial Inc.
Peters & Co. Limited
CIBC World Markets Inc.
Promoter(s):
-
Project #673005

Issuer Name:
Taylor NGL Limited Partnership
Principal Regulator - Alberta
Type and Date:
Amended and Restated Preliminary Short Form Prospectus dated August 5, 2004
Mutual Reliance Review System Receipt dated August 5, 2004
Offering Price and Description:
$52,965,000 - 8,025,000 Limited Partnership Units Price: $6.60 per Unit
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
Clarus Securities Inc.
National Bank Financial Inc.
Peters & Co. Limited
CIBC World Markets Inc.
Promoter(s):
-
Project #673005

Issuer Name:
Futures Index Fund
3XL Futures Index Fund
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated July 31, 2004
Mutual Reliance Review System Receipt dated August 6, 2004
Offering Price and Description:
Class O Units, Class I Units and Class P Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #662452

Issuer Name:
Academy Capital Corp.
Principal Regulator - Ontario
Type and Date:
Amended and Restated Prospectus dated July 23, 2004
Mutual Reliance Review System Receipt dated August 5, 2004
Offering Price and Description:
Minimum Offering: $350,000 or 2,333,333 Common Shares
Maximum Offering: $1,500,000 or 10,000,000 Common Shares
Price: $0.15 per Common Share
Underwriter(s) or Distributor(s):
Research Capital Corporation
Promoter(s):
-
Project #634799

Issuer Name:
AIC Advantage Fund
AIC Advantage Fund II
AIC American Advantage Fund
AIC RSP American Advantage Fund
AIC Global Advantage Fund
AIC RSP Global Advantage Fund
AIC Diversified Canada Fund
AIC Value Fund
AIC RSP Value Fund
AIC World Equity Fund
AIC RSP World Equity Fund
AIC Global Diversified Fund
AIC RSP Global Diversified Fund
AIC Diversified Science & Technology Fund
AIC RSP Diversified Science & Technology Fund
AIC Canadian Focused Fund
AIC American Focused Fund
AIC RSP American Focused Fund
AIC Canadian Balanced Fund
AIC American Balanced Fund
AIC RSP American Balanced Fund
AIC Global Balanced Fund
AIC RSP Global Balanced Fund
AIC Total Yield Strategic Income Fund
AIC Dividend Income Fund
AIC Bond Fund
AIC Global Bond Fund
AIC Money Market Fund
AIC U.S. Money Market Fund
AIC Fixed Income Portfolio Fund
AIC Diversified Income Portfolio Fund
AIC Balanced Income Portfolio Fund
AIC Balanced Growth Portfolio Fund
AIC Core Growth Portfolio Fund
AIC Long-Term Growth Portfolio Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated July 27, 2004
Mutual Reliance Review System Receipt dated August 5, 2004
Offering Price and Description:
Mutual Fund Units and Class F Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
AIC Limited
Project #658659

Issuer Name:
Cumberland Capital Appreciation Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus dated August 6, 2004
Mutual Reliance Review System Receipt dated August 9, 2004
Offering Price and Description:
Units
Underwriter(s) or Distributor(s):
Cumberland Asset Management Corp.
Cumberland Asset Management Corp.
Promoter(s):
Cumberland Investment Management Inc.
Project #643438

Issuer Name:
Junex Inc.
Principal Regulator - Quebec
Type and Date:
Final Prospectus dated August 2, 2004
Mutual Reliance Review System Receipt dated August 5, 2004
Offering Price and Description:
Minimum Offering: 2,475,000 Units; Maximum Offering: 7,500,000 Units Price: $0.80 per Unit
Underwriter(s) or Distributor(s):
Dundee Securities Corporation
Promoter(s):
-
Project #653819

Issuer Name:
Mackenzie Universal RSP European Opportunities Fund
Mackenzie Universal RSP Global Future Fund
Mackenzie Universal RSP International Stock Fund
Principal Regulator - Ontario
Type and Date:
Amendment No. 1 dated July 29th, 2004 to the Simplified Prospectuses dated December 19th, 2003 and Amendment No. 2 dated July 29th, 2004 to the Annual Information Forms dated December 19th, 2003
Mutual Reliance Review System Receipt dated August 5, 2004
Offering Price and Description:
Mutual Fund Net Asset Value
Underwriter(s) or Distributor(s):
Quadrus Investment Services Ltd.
Promoter(s):
Mackenzie Financial Corporation
Project #590264

Issuer Name:
Mackenzie Universal World Emerging Growth Capital Class
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated July 29, 2004 to Final Simplified Prospectus and Annual Information Form dated June 24, 2004
Mutual Reliance Review System Receipt dated August 5, 2004
Offering Price and Description:
Mutual Fund Net Asset Value
Underwriter(s) or Distributor(s):
Quadrus Investment Services Ltd.
Promoter(s):
Mackenzie Financial Corporation
Project #642542

Issuer Name:
QUEEN STREET ENTERTAINMENT CAPITAL INC.
Principal Regulator - Ontario
Type and Date:
Final CPC Prospectus dated July 26, 2004
Mutual Reliance Review System Receipt dated August 5, 2004
Offering Price and Description:
$750,000 or 3,000,000 Common Shares Price: $0.25 per Common Share
Underwriter(s) or Distributor(s):
Raymond James Ltd.
Promoter(s):
-
Project #648350

Issuer Name:
Sackport Ventures Inc.
Principal Regulator - Ontario
Type and Date:
Final CPC Prospectus dated July 29, 2004
Mutual Reliance Review System Receipt dated August 9, 2004
Offering Price and Description:
OFFERING: $200,000 (1,000,000 COMMON SHARES)
Price: $0.20 per Common Share
Underwriter(s) or Distributor(s):
First Associates Investments Inc.
Promoter(s):
Brian J. Kennedy
Kenneth Wawrew
Ernest A. Kolenda
Project #664255

Issuer Name:
Stanstead Capital Inc.
Principal Regulator - Quebec
Type and Date:
Final Prospectus dated August 5, 2004
Mutual Reliance Review System Receipt dated August 10, 2004
Offering Price and Description:
Maximum $5,000,000.00; Minimum $3,000,000.00 - 10% Convertible Unsecured Subordinated Debentures due in 2009 Common Shares Common Share Purchase Warrants Price: $2,000 per Unit
Underwriter(s) or Distributor(s):
Desjardins Securities Inc.
Promoter(s):
-
Project #659722

Issuer Name:
Viscount Canadian Equity Pool
Viscount U.S. Equity Pool
Viscount RSP U.S. Equity Pool
Viscount International Equity Pool
Viscount RSP International Equity Pool
Viscount Canadian Bond Pool
Viscount High Yield U.S. Bond Pool
Viscount RSP High Yield U.S. Bond Pool
Principal Regulator - Ontario
Type and Date:
Amended and Restated Simplified Prospectuses and Annual Information Forms dated August 3, 2004, amending and restating Simplified Prospectuses and Annual Information Forms of the above Issuers dated February 26, 2004.
Mutual Reliance Review System Receipt dated August 10, 2004
Offering Price and Description:
Series A, Series I, and Series V Units
Underwriter(s) or Distributor(s):
Goodman & Company, Investment Counsel Ltd.
Promoter(s):
-
Project #606773

Issuer Name:
American Natural Energy Corporation
Type and Date:
Rights Offering Circular dated July 14, 2004
Accepted July 14, 2004
Offering Price and Description:
Rights to subscribe for a maximum of 6,941,414 Shares of Common Stock at US$.24 per Share
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #660132

Issuer Name:
Amalgamated Income Limited Partnership
Type and Date:
Rights Offering Circular dated July 20, 2004
Accepted July 22, 2004
Offering Price and Description:
OF 8,195,244 RIGHTS TO SUBSCRIBE FOR UP TO 2,048,811 UNITS AT A PRICE OF $0.70 PER UNIT
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #659766

Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	Quest Securities Corporation	Limited Market Dealer	August 9, 2004
New Registration	Keefe, Bruyette & Woods, Inc.	International Dealer	August 9, 2004
Change in Category	Majorica Asset Management Corporation	From: Investment Counsel and Portfolio Manager To: Investment Counsel and Portfolio Manager, Limited Market Dealer	August 9, 2004
Change in Name	From: O'Brien Neufeld Financial Corporation To: One Financial Corporation	Limited Market Dealer	February 5, 2005
New Registration	Guardian Capital LP	Investment Counsel and Portfolio Manager	July 29, 2004
New Registration	Merriman Curhan Ford & Co.	International Dealer	August 10, 2004

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 RS Market Integrity Notice – Request for Comments – Impeding or Obstructing a Market Regulator

August 13, 2004 No. 2004-019

RS MARKET INTEGRITY NOTICE

REQUEST FOR COMMENTS

IMPEDING OR OBSTRUCTING A MARKET REGULATOR

Summary

The Board of Directors of Market Regulation Services Inc. ("RS") has approved amendments to the Universal Market Integrity Rules ("UMIR") to:

- specifically provide that it is an offence to impede or obstruct a Market Regulator in an investigation, proceeding or the exercise of a power;
- provide that a person who is subject to the jurisdiction of UMIR ("Regulated Person") shall respond to a request by a Market Regulator forthwith or not later than the date permitted by the Market Regulator as specified in its written request; and
- adopt a definition of "document" and clarify that records which must be provided by a Regulated Person during an investigation are not limited to "records" as contemplated by the audit trail and retention requirements.

Rule-Making Process

RS has been recognized as a self-regulatory organization by the Alberta Securities Commission, British Columbia Securities Commission, Manitoba Securities Commission, Ontario Securities Commission and, in Quebec, by the Autorité des marchés financiers (the "Recognizing Regulators") and, as such, is authorized to be a regulation services provider for the purposes of the National Instrument 21-101 and National Instrument 23-101.

As a regulation services provider, RS will administer and enforce trading rules for the marketplaces that retain the services of RS. RS has adopted, and the Recognizing Regulators have approved, UMIR as the integrity trading rules that will apply in any marketplace that retains RS as its regulation services provider. Presently, RS has been retained to be the regulation services provider for: the Toronto Stock Exchange ("TSX"), TSX Venture Exchange ("TSX VN") and Canadian Trading and Quotation System, as recognized exchanges; and for Bloomberg Tradebook Canada Company, as an alternative trading system.

The Rules Advisory Committee of RS ("RAC") reviewed the proposed amendments respecting impeding or obstructing a Market Regulator and recommended their adoption by the Board of Directors. RAC is an advisory committee comprised of representatives of each of: the marketplaces for which RS acts as a regulation services provider; Participants; institutional investors and subscribers; and the legal and compliance community.

The amendment to UMIR will be effective upon approval of the changes by the Recognizing Regulators following public notice and comment. Comments on the proposed amendments should be in writing and delivered by **September 13, 2004** to:

James E. Twiss,
Chief Policy Counsel,
Market Policy and General Counsel's Office,
Market Regulation Services Inc.,
Suite 900,
P.O. Box 939,
145 King Street West,
Toronto, Ontario. M5H 1J8

Fax: 416.646.7265
e-mail: james.twiss@rs.ca

A copy should also be provided to Recognizing Regulators by forwarding a copy to:

Cindy Petlock
Manager, Market Regulation
Capital Markets Branch
Ontario Securities Commission
Suite 1903, Box 55,
20 Queen Street West
Toronto, Ontario. M5H 3S8

Fax: (416) 595-8940
e-mail: cpetlock@osc.gov.on.ca

Background to the Proposed Amendments

Prior to the introduction of UMIR, both the TSX and the TSX VN had rules that made it an offence to engage in "any conduct, business or affairs that is unbecoming, inconsistent with just and equitable principles of trade or detrimental to the interests of the Exchange or the public". On the introduction of UMIR, this general offence was not carried over into UMIR. In order to be a violation of the "just and equitable" provisions of Rule 2.1 of UMIR, the conduct had to relate directly to trading on a marketplace or trading or otherwise dealing in securities which are eligible to be traded on a marketplace. Other types of "offensive" activities were thought to fall to the jurisdiction of the Investment Dealers Association as the self-regulatory organization with responsibility for member regulation.

It has become clear that certain types of activities by a Regulated Person should nonetheless constitute a violation of UMIR such that the Regulated Person should be subject to the disciplinary proceedings contemplated by UMIR with the range of penalties and remedies established by Rule 10.5 of UMIR.

Summary of the Proposed Amendments

Impeding or Obstructing a Market Regulator

The amendments propose that a Regulated Person may be disciplined if they know or could have known after the exercise of reasonable diligence that their actions would impede or obstruct the ability of:

- the Market Regulator to conduct an investigation pursuant to Rule 10.2;
- the Market Regulator to conduct a hearing pursuant to Rule 10.6; or
- a Market Integrity Official to exercise a power under Rule 10.9 (being the general powers granted to govern the trading of securities on a marketplace).

A person would be considered to have impeded or obstructed, if the person, after becoming aware of the investigation, hearing or exercise of power:

- destroys or renders inaccessible any document in their possession or control that is relevant to the investigation, hearing or the exercise of power;
- provides any information in connection with the investigation or hearing or the exercise of power that is false or misleading; or
- persuades or attempts to persuade any person to destroy or render inaccessible any document or provide any information that is false and misleading.

A person would not be considered to have impeded or obstructed if:

- their actions were done with legal justification;
- after reasonable due diligence, the person could not have known that the document was relevant to the investigation, hearing or exercise of power or that the information was misleading, false or that it omitted a material fact; or

- their actions were done in accordance with any other available defence.

Response to a Request

Presently under Rule 10.2, a Regulated Person must respond "forthwith" to a request by a Market Regulator to provide information or records or to allow inspection of information or records or to provide a statement. In certain cases, it is not practical to expect that a person will be able to respond to a request "forthwith" either due to the complexity or scope of the matter that is under investigation. The amendment will allow the Market Regulator to set a reasonable deadline for a response to a request by the Market Regulator. Under the amendment, the deadline must be set out in the writing in the request that is delivered to the person. If the person fails to respond to the request, the person could be subject to disciplinary proceedings for failure to respond.

The amendment to Rule 1.1 would incorporate directly into the Rules the definition of "document" presently found in Policy 10.8. Under that definition, a "document" includes a sound recording, videotape, film, photographs, chart, graph, map, plan, survey, book of account, and information recorded or stored by means of any device." The amendment would add the word "document" to the investigation provisions and thereby clarify that records which must be provided by a Regulated Person during an investigation are not limited to "records" as contemplated by the audit trail and retention requirements but rather includes the broad range of things covered by the definition of "document" that may be relevant to the investigation.

Appendices

The text of the amendments to the Rules respecting impeding or obstructing a Market Regulator are set out in Appendix "A". Appendix "B" contains the text of the relevant provisions of the Rules as they would read on the adoption of the amendments. Appendix "B" also contains a marked version of the current provisions highlighting the changes introduced by the amendments.

Questions

Questions concerning this notice may be directed to:

James E. Twiss,
Chief Policy Counsel,
Market Policy and General Counsel's Office,
Market Regulation Services Inc.,
Suite 900,
P.O. Box 939,
145 King Street West,
Toronto, Ontario. M5H 1J8

Telephone: 416.646.7277
Fax: 416.646.7265
e-mail: james.twiss@rs.ca

ROSEMARY CHAN,
VICE PRESIDENT, MARKET POLICY AND GENERAL COUNSEL

Appendix "A"

Universal Market Integrity Rules

Amendments Related to Impeding or Obstructing a Market Regulator

The Universal Market Integrity Rules are amended as follows:

1. Rule 1.1 is amended by adding the following definition of "document":

   "document" includes a sound recording, videotape, film, photographs, chart, graph, map, plan, survey, book of account, and information recorded or stored by means of any device.

2. Rule 10.1 is amended by adding the following subsections:

   (5) A Regulated Person shall not, without legal justification, do any act that the Regulated Person knows or could have known after the exercise of reasonable diligence would impede or obstruct the ability of:

   (a) the Market Regulator to conduct an investigation pursuant to Rule 10.2;

   (b) the Market Regulator to conduct a hearing to make a determination pursuant to Rule 10.6; or

   (c) a Market Integrity Official to exercise a power under Rule 10.9.

   (6) Without limiting the generality of subsection (5), a Regulated Person shall be considered to have impeded or obstructed the ability of the Market Regulator to conduct an investigation or a hearing or a Market Integrity Official to exercise a power if the Regulated Person:

   (a) destroys or renders inaccessible any document in the possession or control of the Regulated Person, whether or not the document is of the form or type that must be retained in accordance with Rule 10.12, that is relevant to the investigation or hearing or to the exercise of power;

   (b) provides any information, document, record or statement to the Market Regulator in connection with the investigation or hearing or to a Market Integrity Official in connection with the exercise of a power that is misleading or untrue or does not state a fact that is required to be stated or that is necessary to make the information, document, record or statement not misleading; or

   (c) persuades or attempts to persuade any person by whatever means to:

   (i) destroy or render inaccessible any document in the possession or control of that other person relevant to the investigation or hearing or to the exercise of power, or

   (ii) provide any information, document, record or statement to the Market Regulator in connection with the investigation or hearing or to a Market Integrity Official in connection with the exercise of a power that would be misleading or untrue or would not state a fact that is required to be stated or that is necessary to make the information, document, record or statement not misleading.

   (7) Without limiting the availability of other defences, a Regulated Person shall not be considered to have breached subsection (5) or (6) if the Regulated Person did not know or could not have known after reasonable diligence that:

   (a) the document was relevant to the investigation or hearing or the exercise of a power; or

   (b) the information, document, record or statement was or would be misleading or untrue or that it omitted to state a fact that was required to be stated or that was necessary to make the information, document, record or statement not misleading in light of the circumstance in which it was made or would be made.

3. Subsection (2) of Rule 10.2 is amended by:

   (a) inserting after the word “forthwith” the phrase “or not later than the date permitted by the Market Regulator as specified in the written request by the Market Regulator”;

   (b) inserting after each occurrence of the word “information” in clauses (a) and (b) the phrase “, document”.

The Policies under the Universal Market Integrity Rules are amended as follows:

1. Section 1.1 of Policy 10.8 is amended by deleting the definition of “document”.

Appendix "B"

Universal Market Integrity Rules

Text of Rule to Reflect Proposed Amendments
Related to Impeding or Obstructing a Market Regulator

Text of Provisions of Following Adoption of Proposed Amendments	Text of Current Provisions Marked to Reflect Adoption of Proposed Amendments
1.1 Definitions **"document"** includes a sound recording, videotape, film, photographs, chart, graph, map, plan, survey, book of account, and information recorded or stored by means of any device.	**1.1 Definitions** **"document"** includes a sound recording, videotape, film, photographs, chart, graph, map, plan, survey, book of account, and information recorded or stored by means of any device.
10.1 Compliance Requirement (5) A Regulated Person shall not, without legal justification, do any act that the Regulated Person knows or could have known after the exercise of reasonable diligence would impede or obstruct the ability of: (a) the Market Regulator to conduct an investigation pursuant to Rule 10.2; (b) the Market Regulator to conduct a hearing to make a determination pursuant to Rule 10.6; or (c) a Market Integrity Official to exercise a power under Rule 10.9. (6) Without limiting the generality of subsection (5), a Regulated Person shall be considered to have impeded or obstructed the ability of the Market Regulator to conduct an investigation or a hearing or a Market Integrity Official to exercise a power if the Regulated Person: (a) destroys or renders inaccessible any document in the possession or control of the Regulated Person, whether or not the document is of the form or type that must be retained in accordance with Rule 10.12, that is relevant to the investigation or hearing or to the exercise of power; (b) provides any information, document, record or statement to the Market Regulator in connection with the investigation or hearing or to a Market Integrity Official in connection with the exercise of a power that is misleading or untrue or does not state a fact that is required to be stated or that is necessary to make the information, document, record or statement not misleading; or (c) persuades or attempts to persuade any person by whatever means to: (i) destroy or render inaccessible any	**10.1 Compliance Requirement** (5) A Regulated Person shall not, without legal justification, do any act that the Regulated Person knows or could have known after the exercise of reasonable diligence would impede or obstruct the ability of: (a) the Market Regulator to conduct an investigation pursuant to Rule 10.2; (b) the Market Regulator to conduct a hearing to make a determination pursuant to Rule 10.6; or (c) a Market Integrity Official to exercise a power under Rule 10.9. (6) Without limiting the generality of subsection (5), a Regulated Person shall be considered to have impeded or obstructed the ability of the Market Regulator to conduct an investigation or a hearing or a Market Integrity Official to exercise a power if the Regulated Person: (a) destroys or renders inaccessible any document in the possession or control of the Regulated Person, whether or not the document is of the form or type that must be retained in accordance with Rule 10.12, that is relevant to the investigation or hearing or to the exercise of power; (b) provides any information, document, record or statement to the Market Regulator in connection with the investigation or hearing or to a Market Integrity Official in connection with the exercise of a power that is misleading or untrue or does not state a fact that is required to be stated or that is necessary to make the information, document, record or statement not misleading; or (c) persuades or attempts to persuade any person by whatever means to: (i) destroy or render inaccessible any

Text of Provisions of Following Adoption of Proposed Amendments	Text of Current Provisions Marked to Reflect Adoption of Proposed Amendments
document in the possession or control of that other person relevant to the investigation or hearing or to the exercise of power, or (ii) provide any information, document, record or statement to the Market Regulator in connection with the investigation or hearing or to a Market Integrity Official in connection with the exercise of a power that would be misleading or untrue or would not state a fact that is required to be stated or that is necessary to make the information, document, record or statement not misleading. (7) Without limiting the availability of other defences, a Regulated Person shall not be considered to have breached subsection (5) or (6) if the Regulated Person did not know or could not have known after reasonable diligence that: (a) the document was relevant to the investigation or hearing or the exercise of a power; or (b) the information, document, record or statement was or would be misleading or untrue or that it omitted to state a fact that was required to be stated or that was necessary to make the information, document, record or statement not misleading in light of the circumstance in which it was made or would be made.	document in the possession or control of that other person relevant to the investigation or hearing or to the exercise of power, or (ii) provide any information, document, record or statement to the Market Regulator in connection with the investigation or hearing or to a Market Integrity Official in connection with the exercise of a power that would be misleading or untrue or would not state a fact that is required to be stated or that is necessary to make the information, document, record or statement not misleading. (7) Without limiting the availability of other defences, a Regulated Person shall not be considered to have breached subsection (5) or (6) if the Regulated Person did not know or could not have known after reasonable diligence that: (a) the document was relevant to the investigation or hearing or the exercise of a power; or (b) the information, document, record or statement was or would be misleading or untrue or that it omitted to state a fact that was required to be stated or that was necessary to make the information, document, record or statement not misleading in light of the circumstance in which it was made or would be made.
10.2 Investigations (2) Upon the request of the Market Regulator, any Regulated Person shall forthwith or not later than the date permitted by the Market Regulator as specified in the written request by the Market Regulator: (a) provide any information, document or records in the possession or control of the person that the Market Regulator determines may be relevant to a matter under investigation and such information, document or records shall be provided in such manner and form, including electronically, as may be required by the Market Regulator; (b) allow the inspection of, and permit copies to be taken of, any information, document or records in the possession or control of the person that the Market Regulator determines may be relevant to a matter under investigation; and (c) provide a statement, in such form and manner and at a time and place specified by the Market Regulator on such issues as the Market Regulator determines may be relevant to a matter under investigation provided that in	**10.2 Investigations** (2) Upon the request of the Market Regulator, any Regulated Person shall forthwith or not later than the date permitted by the Market Regulator as specified in the written request by the Market Regulator: (a) provide any information, document or records in the possession or control of the person that the Market Regulator determines may be relevant to a matter under investigation and such information, document or records shall be provided in such manner and form, including electronically, as may be required by the Market Regulator; (b) allow the inspection of, and permit copies to be taken of, any information, document or records in the possession or control of the person that the Market Regulator determines may be relevant to a matter under investigation; and (c) provide a statement, in such form and manner and at a time and place specified by the Market Regulator on such issues as the Market Regulator determines may be relevant

Text of Provisions of Following Adoption of Proposed Amendments	Text of Current Provisions Marked to Reflect Adoption of Proposed Amendments
the case of a person other than an individual, the statement shall be made by an appropriate officer, director, partner or employee or other individual associated with the person as is acceptable to the Market Regulator.	to a matter under investigation provided that in the case of a person other than an individual, the statement shall be made by an appropriate officer, director, partner or employee or other individual associated with the person as is acceptable to the Market Regulator.
	Policy 10.8 – Policy on Practice and Procedure **1.1 Definitions** ~~**"document"** includes a sound recording, videotape, film, photographs, chart, graph, map, plan, survey, book of account, and information recorded or stored by means of any device.~~

13.1.2 RS Market Integrity Notice – Request for Comments – Provisions Respecting Manipulative and Deceptive Activities

August 13, 2004 No. 2004-017

RS MARKET INTEGRITY NOTICE

REQUEST FOR COMMENTS

PROVISIONS RESPECTING MANIPULATIVE AND DECEPTIVE ACTIVITIES

Summary

The Board of Directors of Market Regulation Services Inc. ("RS") has approved a series of revised amendments to the Universal Market Integrity Rules ("UMIR") and the Policies to vary the requirements related to manipulative and deceptive activities by:

- modifying the language to achieve greater clarity and consistency;
- providing for consistency with the requirements related to manipulative and deceptive activities under National Instrument 23-101 ("Trading Rules") and applicable securities legislation;
- confirming the "gatekeeper" obligations of Participants and Access Persons;
- introducing a specific requirement to report to RS significant violations of UMIR;
- eliminating potential gaps that may be caused by the current rule which combines both manipulative "effects" and "methods" in a single requirement.

RS published the initial version of the proposed amendments in Market Integrity Notice 2004-003 issued on January 30, 2004.

Rule-Making Process

RS has been recognized as a self-regulatory organization by the Alberta Securities Commission, British Columbia Securities Commission, Manitoba Securities Commission, Ontario Securities Commission and in Quebec by the Autorité des marchés financiers (the "Recognizing Regulators") and, as such, is authorized to be a regulation services provider for the purposes of the National Instrument 21-101 ("Marketplace Operation Instrument") and the Trading Rules.

As a regulation services provider, RS will administer and enforce trading rules for the marketplaces that retain the services of RS. RS has adopted, and the Recognizing Regulators have approved, UMIR as the integrity trading rules that will apply in any marketplace that retains RS as its regulation services provider. Presently, RS has been retained to be the regulation services provider for: the Toronto Stock Exchange ("TSX"), TSX Venture Exchange ("TSX VN") and Canadian Trading and Quotation System ("CNQ"), each as a recognized exchange ("Exchange"); and for Bloomberg Tradebook Canada Company ("Bloomberg"), as an alternative trading system ("ATS").

The Rules Advisory Committee of RS ("RAC") reviewed the revisions to the proposed amendments related to manipulative and deceptive activities and recommended their adoption by the Board of Directors. RAC is an advisory committee comprised of representatives of each of: the marketplaces for which RS acts as a regulation services provider; Participants; institutional investors and subscribers; and the legal and compliance community.

The amendments to the Rules and Policies will be effective upon approval of the changes by the Recognizing Regulators following public notice and comment. Comments on the proposed amendments should be in writing and delivered by **October 12, 2004** to:

James E. Twiss,
Chief Policy Counsel,
Market Policy and General Counsel's Office,
Market Regulation Services Inc.,
Suite 900,
P.O. Box 939,
145 King Street West,
Toronto, Ontario. M5H 1J8

Fax: 416.646.7265
e-mail: james.twiss@rs.ca

A copy should also be provided to Recognizing Regulators by forwarding a copy to:

Cindy Petlock
Manager, Market Regulation
Capital Markets Branch
Ontario Securities Commission
Suite 1903, Box 55,
20 Queen Street West
Toronto, Ontario. M5H 3S8

Fax: (416) 595-8940
e-mail: cpetlock@osc.gov.on.ca

Summary of Revisions to the Original Proposal

Based on comments received in response to the Request for Comments contained in Market Integrity Notice 2004-003 and based on comments received from the Recognizing Regulators, RS has revised the proposed amendments. The revisions to the original proposal are set out in Appendix "B". The following is a summary of the significant revisions to the original proposal:

- changes in the terminology used in the Rules to adopt the "ought reasonably to know" standard used in the Trading Rules;
- addition of an interpretation of the "ought reasonably to know" standard as it would apply to Rule 2.2 (Manipulative and Deceptive Activities) and Rule 2.3 (Improper Orders and Trades);
- addition of an interpretation of "applicable regulatory standards" for the purposes of Rule 7.1 (Trading Supervision Obligations) and Rule 10.16 (Gatekeeper Obligations of Directors, Officers and Employees of Participants and Access Persons);
- providing that trades between accounts under the direction or control of the same person (other than an internal cross) should not be undertaken on a marketplace;
- including guidelines on what is expected of a Participant in respect of supervision and compliance in circumstances where the client has entered an order "directly" or where the client has accounts with another dealer;
- modifying the requirements with respect to sales to provide that a sale will be considered manipulative if the seller does not have at the time of sale a "reasonable expectation" of settling the resulting trade;
- clarifying that while RS may monitor for compliance with applicable securities legislation and Marketplace Rules, proceedings for non-compliance will be conducted by the applicable securities regulatory authority; and
- clarifying that the "gatekeeper" obligation does not establish a new standard of care nor require a Participant to "guarantee" that an order complies with the Rule but does require a Participant or Access Person to conduct further investigation or review where the Participant or Access Person has reason to believe that there may have been a violation of one of the provisions enumerated in Rule 10.16 (e.g. a Participant can not ignore so-called "red flags" which may be indicative of improper behaviour).

Summary of the Proposed Amendments as Revised

The following is a summary of the most significant aspects of the revised proposed amendments to UMIR related to the provisions on manipulative and deceptive trading:

- ***Changes to Rule 1.1 - Definition of "Requirement"***

  It is proposed that the definition of "Requirement" be specifically expanded to include "securities legislation". In accordance with the Marketplace Operation Instrument, Marketplace Rules must contain a provision that requires compliance with securities legislation. Since an ATS can not have rules, the expansion of the definition under UMIR ensures that trades undertaken through an ATS are subject to the same requirements as a trade through an Exchange or QTRS. While RS investigates possible breaches of securities legislation, RS refers these matters to the applicable securities regulatory authority for disciplinary or enforcement action.

- ***Changes to Rule 2.2 and Policies 2.2 – Manipulative and Deceptive Activities***

  Presently Rule 2.2 prohibits a Participant or Access Person using any manipulative or deceptive method of trading which creates or could reasonably be expected to create a false or misleading appearance of trading activity or an artificial price. The amendments propose to provide two separate prohibitions. The first is a prohibition on use of a manipulative or deceptive method of trading (irrespective of whether the use of the method creates a false or misleading appearance of trading activity or an artificial price). The second prohibits the entry of an order or the execution of a trade if the person knows or ought reasonably to know that the result would be to create a false or misleading appearance of trading activity or an artificial price.

  The amendment also clarifies that the entry of an order could be prohibited even though the order does not trade as the entry of the order could create a false or misleading appearance of interest in the purchase or sale of the security or an artificial ask price or bid price.

  The amendments also confirm that orders entered or trades made by a person in accordance with Market Maker Obligations imposed by Marketplace Rules will not be considered to be a violation of manipulative or deceptive trading restrictions. In this way, trades or orders which are automatically generated by the trading system of a marketplace will not be prohibited. However, the entry of orders or the execution of trades which are not required to fulfill Market Maker Obligations may violate the prohibitions on manipulative or deceptive trading.

  The amendments propose to move the specific examples of prohibited activities from the Rules to the Policies to be consistent with the structure of other rules in UMIR. The amendments also propose to expand the list of specific examples to include a prohibition on entering orders without the reasonable expectation of making settlement of the resulting trade. (The provision does not require that the dealer make a "positive affirmation" that it has the ability to settle the trade but merely have a "reasonable expectation".) The Trading Rules contain comparable prohibitions for trading which is not subject to UMIR.

- ***Introduction of Rule 2.3 – Improper Orders and Trades***

  The changes would introduce a new provision that would prohibit the entry of an order or the execution of a trade in circumstances where the Participant or Access Person knew or ought to have known that the order or trade would not be in compliance with various regulatory requirements. For example, if a Participant knows or ought to know that a client is entering an order for a security based on undisclosed material information related to that security (which action by the client would be contrary to securities legislation), the Participant would itself be in non-compliance with the requirements of UMIR.

- ***Changes to Rule 7.1 and Policy 7.1 – Trading Supervision Obligation***

  One of the proposed amendments to Policy 7.1 would clarify that the supervision obligation imposed on a Participant by Rule 7.1 exists irrespective of the source of the order or the means by which the order is transmitted to a marketplace. The proposal would specifically require the supervision policies and compliance procedures to take into account the additional difficulties faced by Participants where there is direct order entry by clients.

  An additional proposed change to Policy 7.1 would require a Participant when they have detected a violation or possible violation of a Requirement to address whether additional supervision is appropriate or whether their policies and procedures should be amended to reduce the possibility of a similar future violation.

  The proposed amendment would require that the supervisory system adopted by a Participant to specifically address several matters related to manipulative and deceptive activities. In particular, a Participant would be expected to have procedures to:

  - determine whether orders are being entered by insiders or other persons with an "interest" in affecting the price of a security;
  - monitor trading activity by persons with multiple accounts;
  - adopt additional compliance procedures in circumstances when the Participant is unable to verify certain information regarding an account (e.g. the ultimate beneficial ownership of the account unless that information was otherwise required by applicable regulatory requirements); and
  - address the additional risks resulting from the fact that efforts to manipulate a security are more often likely to:

- occur at the end of a calendar month or on the expiry of derivatives; or
- be centred on illiquid securities.

- ***Changes to Rule 10.4 – Extension of Restrictions***

  The proposed amendment to Rule 10.4 is consequential on the changes in terminology used in Rule 2.2 and the introduction of Rule 2.3. As such, various persons including directors, officers and employees of a Participant or an Access Person will be prohibited from the entry of an order or the execution of a trade which such person knows or ought to know does not comply with regulatory requirements.

- ***Introduction of Rule 10.16 and Policy 10.16 – Gatekeeper Obligations of Directors, Officers and Employees of Participants and Access Persons***

  The proposed amendment would introduce a specific rule related to the "gatekeeper" obligations imposed on a Participant or Access Person and their respective directors, officers and employees. These persons would be expected to act on "red flags" which may be indicative of possible improper behaviour and to report activity which may be a violation of a "fundamental" integrity rule to their respective supervisor or compliance department. In turn, the supervisor or compliance department would be expected to make a written record of the report and to investigate the report and record the relevant findings, and where appropriate, inform the Market Regulator. While this type of "gatekeeper" obligation may have been implied in the conduct of the affairs of market participants, the proposal specifically sets out the standard in the form of a rule and identifies the rules which are considered "fundamental" for Participants and for Access Persons.

Summary of the Impact of the Proposed Amendments

If the proposed amendments are adopted:

- Participants would be required to review and revise their policies and procedures to specifically address:
  - the introduction of gatekeeper obligation with its attendant obligation to conduct internal investigations into possible violations of UMIR, to maintain records of all investigations and to report findings of potential violations; and
  - certain identified fact situations where manipulative and deceptive activities are most likely to occur.
- Access Persons would be required to adopt policies and procedures to accommodate the introduction of a more limited gatekeeper obligation applicable to an Access Person.
- Trades between accounts under the direction or control of the same person would not be completed on a marketplace even in circumstances where the trade resulted in a change of beneficial or economic ownership.
- A new rule would be introduced which would specifically prohibit the entry of an order or the execution of a trade in circumstances where the Participant or Access Person knew or ought to have known that the order or trade would not be in compliance with various regulatory requirements. The application of this new rule would be extended to directors, officers and employees of the Participant or Access Person and other related persons by virtue of proposed amendments to Rule 10.4.

Appendices

The text of the amendments to the Rules and Policies to vary a number of provisions related to manipulative and deceptive activities is set out in Appendix "A". Appendix "B" contains the text of the relevant provisions of the Rules and Policies as they would read on the adoption of the amendments. This text has been marked to highlight the changes from the original proposal published in Market Integrity Notice 2004-003 on January 30, 2004. Appendix "B" also contains a summary of the comments received on the proposal published in Market Integrity Notice 2004-003 together with the response of RS to each of the comments.

Consultation Meeting

RS will conduct a consultation meeting regarding the proposed amendments on Tuesday, September 21, 2004 from 4:30 p.m. to 6:00 p.m. (Toronto time). All persons who submitted a comment letter in response to the original proposal published on January 30, 2004 and anyone who has confirmed to RS that they wish to submit a comment on the revised proposal will be invited to attend the meeting. The meeting will be held in the Boardroom of Market Regulation Services Inc. at Suite 900, 145 King Street

West, Toronto. In Vancouver, persons may participate in the meeting by video-conference by attending at the RS office at Suite 2600, 550 West Georgia Street, Vancouver. In other cases, arrangements can be made to participate in the consultation meeting by conference call.

Questions

Questions concerning this notice may be directed to:

James E. Twiss,
Chief Policy Counsel,
Market Policy and General Counsel's Office,
Market Regulation Services Inc.,
Suite 900,
P.O. Box 939,
145 King Street West,
Toronto, Ontario. M5H 1J8

Telephone: 416.646.7277
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ROSEMARY CHAN,
VICE PRESIDENT, MARKET POLICY AND GENERAL COUNSEL

Appendix "A"

Universal Market Integrity Rules

Amendments to the Rules and Policies
Related to Manipulative and Deceptive Activities

The Universal Market Integrity Rules are amended as follows:

1. Rule 1.1 is amended by adding the following as clause (f) of the definition of "Requirements":

   (f) securities legislation.

2. Part 2 of the Rules is amended by deleting the phrase "Manipulative or Deceptive Method of Trading" in the heading and substituting the phrase "Abusive Trading".

3. Rule 2.2 is deleted and the following substituted:

   Manipulative and Deceptive Activities

   (1) A Participant or Access Person shall not, directly or indirectly, engage in or participate in the use of any manipulative or deceptive method, act or practice in connection with any order or trade on a marketplace if the Participant or Access Person knows or ought reasonably to know the nature of the method, act or practice.

   (2) A Participant or Access Person shall not, directly or indirectly, enter an order or execute a trade on a marketplace if the Participant or Access Person knows or ought reasonably to know that the entry of the order or the execution of the trade will create or could reasonably be expected to create:

      (a) a false or misleading appearance of trading activity in or interest in the purchase or sale of the security; or

      (b) an artificial ask price, bid price or sale price for the security or a related security.

   (3) For greater certainty, the entry of an order or the execution of a trade on a marketplace by a person in accordance with the Market Maker Obligations shall not be considered a violation of subsection (1) or (2) provided such order or trade complies with applicable Marketplace Rules and the order or trade was required to fulfill applicable Market Maker Obligations.

4. Part 2 of the Rules is amended by adding the following as Rule 2.3:

   Improper Orders and Trades

   A Participant or Access Person shall not enter an order on a marketplace or execute a trade if the Participant or Access Person knows or ought reasonably to know that that the entry of the order or the execution of the trade would not comply with or would result in the violation of:

   (a) applicable securities legislation;

   (b) applicable requirements of any self-regulatory entity of which the Participant or Access Person is a member;

   (c) the Marketplace Rules of the marketplace on which the order is entered;

   (d) the Marketplace Rules of the marketplace on which the trade is executed; and

   (e) the Rules and Policies.

5. Clause (2)(a) of Rule 7.1 is amended by inserting the phrase ", acceptance" after the word "review".

6. Rule 10.4 is amended:

(a) in clause (1)(a) by inserting the phrase "2.3," after "2.2" and by deleting the phrase "method of trading" and substituting the word "activities"; and

(b) in clause (2)(a) by inserting the phrase ", 2.3" after "2.2" and by deleting the phrase "method of trading" and substituting the word "activities".

7. Part 10 of the Rules is amended by inserting the following as Rule 10.16:

Gatekeeper Obligations of Directors, Officers and Employees of Participants and Access Persons

(1) An officer, director, partner or employee of a Participant shall forthwith report to their supervisor or the compliance department of the Participant upon becoming aware of activity in a principal, non-client or client account of the Participant or a related entity that the officer, director, partner or employee believes may be a violation of:

(a) Subsection (1) of Rule 2.1 respecting just and equitable principles of trade;

(b) Rule 2.2 respecting manipulative and deceptive activities;

(c) Rule 2.3 respecting improper orders and trades;

(d) Rule 3.1 respecting short selling;

(e) Rule 4.1 respecting frontrunning;

(f) Rule 5.1 respecting best execution of client orders;

(g) Rule 5.2 respecting best price obligation;

(h) Rule 5.3 respecting client priority;

(i) Rule 6.3 respecting exposure of client orders;

(j) Rule 6.4 respecting trades to be on a marketplace;

(k) Rule 7.7 respecting trades during a distribution or Rule 7.8 respecting trades during a securities exchange take-over bid;

(l) Rule 8.1 respecting client-principal trading; and

(m) any Requirement that has been designated by the Market Regulator for the purposes of this subsection.

(2) An officer, director, partner or employee of an Access Person shall forthwith report to their supervisor or the compliance department of the Access Person upon becoming aware of activity by the Access Person or a related entity that the officer, director, partner or employee believes may be a violation of:

(a) Subsection (2) of Rule 2.1 respecting conduct of business openly and fairly;

(b) Rule 2.2 respecting manipulative and deceptive activities;

(c) Rules 2.3 respecting improper orders or trades;

(d) Rule 3.1 respecting short selling; and

(e) any Requirement that has been designated by the Market Regulator for the purposes of this subsection.

(3) If a supervisor or compliance department of a Participant or Access Person receives a report in accordance with subsection (1) or (2), the Participant or Access Person shall:

(a) make a written record of the report by the officer, director, partner or employee;

(b) diligently investigate the activity that is the subject of the report;

(c) make a written record of the findings of the investigation; and

(d) report the findings of the investigation to the Market Regulator if the finding of the investigation is that a violation of an applicable Rule may have occurred and such report shall be made not later than the 15th day of the month following the month in which the findings are made.

(4) Each Participant and Access Person shall with respect to the record of the report and the record of the findings required by subsection (3):

(a) retain the record for a period of not less than seven years from the creation of the record; and

(b) allow the Market Regulator to inspect and make copies of the record at any time during ordinary business hours during the period that such record is required to be retained in accordance with clause (a).

(5) The obligation of a Participant or an Access Person to report findings of an investigation under subsection (3) is in addition to any reporting obligation that may exist in accordance with applicable securities legislation, the requirements of any self-regulatory entity and any applicable Marketplace Rules.

The Policies under Universal Market Integrity Rules are amended as follows:

1. The following is added as Policy 1.2:

Part 1 – "Ought Reasonably to Know"

Rule 2.2 prohibits a Participant or Access Person from doing various acts if the Participant or Access Person "knows or ought reasonably to know" that a particular method, act or practice was manipulative or deceptive or that the effect of entering an order or executing a trade would create or could reasonably be expected to create a false or misleading appearance of trading activity or interest or an artificial price. Rule 2.3 prohibits a Participant or Access Person from entering an order on a marketplace or executing a trade if the Participant or Access Person "knows or ought reasonably to know" that the entry of the order or the execution of the trade would result in the violation of various securities or regulatory requirements.

In determining what a person "ought reasonably to know" reference would be made to generally accepted industry standards and practices applicable to a person of their size conducting the same types of business in the same jurisdiction. In essence, the test becomes what could a Participant or Access Person have been expected to know if the Participant or Access Person had:

- adopted various policies and procedures as required by applicable securities legislation, self-regulatory entities and the Rules and Policies; and
- conscientiously followed or observed the policies and procedures.

A Participant or Access Person must be aware that the generally accepted industry standard may exceed minimum standards required by various regulatory requirements including any minimum elements of a supervisory system and minimum compliance procedures set out in Policy 7.1.

If there is no generally accepted industry standard, a Participant or Access Person, acting honestly and in good faith, must exercise the care, diligence and skill that a reasonably prudent Participant or Access Person would exercise in comparable circumstances.

Part 2 Applicable Regulatory Standards

Rule 7.1 requires each Participant prior to the entry of an order on a marketplace to comply with applicable regulatory standards with respect to the review, acceptance and approval of orders. In addition, Rule 10.16 requires each officer, director, partner or employee of a Participant who receives or originates an order or who enter the order on a marketplace to comply with applicable regulatory standards with respect to the review, acceptance and approval of orders.

Each Participant that is a dealer must be a member of a self-regulatory entity. Each Participant will be subject to the by-laws, regulations and policies as adopted from time to time by the applicable self-regulatory entity. These requirements may include an obligation on the member to "use due diligence to learn and remain informed of the essential facts relative to every customer and to every order or account accepted." While knowledge by a Participant of "essential facts" of every customer and order is necessary to determine the suitability of any investment for a client, such requirement is not limited to that single application. The exercise of due diligence to learn essential facts "relative to every customer and to every order" is a central component of the "Gatekeeper Obligation" embodied within the trading supervision obligation under Rule 7.1 and 10.16.

In addition, securities legislation applicable in a jurisdiction may impose review standards on Participants respecting orders and accounts. In British Columbia for example, Rule 48(1) made pursuant to the *Securities Act* (British Columbia) requires registrants, with certain exceptions, to make enquiries concerning each client to learn the essential facts relative to every client, including the identity and, if applicable, creditworthiness of the client and the reputation of the client if information known to the registrant causes doubt as to whether the client is of good business or financial reputation. This requirement has been interpreted as requiring registrants in British Columbia to always know the beneficial owner of an account.

The regulatory standards that may apply to a particular order may vary depending upon a number of circumstances including:

- the requirements of any self-regulatory entity of which the Participant is a member;
- the type of account from which the order is received or originated; and
- the securities legislation in the jurisdiction applicable to the order.

2. Part 1 of Policy 2.2 is deleted and the following substituted:

Part 1 – Manipulative or Deceptive Method, Act or Practice

There are a number of activities which, by their very nature, will be considered to be a manipulative or deceptive method, act or practice. For the purpose of subsection (1) of Rule 2.2 and without limiting the generality that subsection, the following activities when undertaken on a marketplace constitute a manipulative or deceptive method, act or practice:

(a) making a fictitious trade;

(b) effecting a trade in a security which involves no change in the beneficial or economic ownership;

(c) effecting a trade in a security, other than an internal cross, between accounts under the direction or control of the same person;

(d) effecting trades by a single interest or group with the intent of limiting the supply of a security for settlement of trades made by other persons except at prices and on terms arbitrarily dictated by such interest or group; and

(e) purchasing a security with the intention of making a sale of the same or a different number of units of the security or a related security on a marketplace at a price which is below the price of the last sale of a standard trading unit of such security displayed in a consolidated market display.

If persons know or ought reasonably to know that they are engaging or participating in these or similar types of activities those persons will be in breach of subsection (1) of Rule 2.2 irrespective of whether such method, act or practice results in a false or misleading appearance of trading activity or interest in the purchase or sale of a security or an artificial ask price, bid price or sale price for a security or a related security.

3. Policy 2.2 is amended by adding the following Parts:

Part 2 – False or Misleading Appearance of Trading Activity or Artificial Price

For the purposes of subsection (2) of Rule 2.2 and without limiting the generality of that subsection, if any of the following activities are undertaken on a marketplace and create or could reasonably be expected to create a false or misleading appearance of trading activity or interest in the purchase or sale of a security or an

artificial ask price, bid price or sale price, the entry of the order or the execution of the trade shall constitute a violation of subsection (2) of Rule 2.2:

(a) entering an order or orders for the purchase of a security with the knowledge that an order or orders of substantially the same size, at substantially the same time and at substantially the same price for the sale of that security, has been or will be entered by or for the same or different persons;

(b) entering an order or orders for the sale of a security with the knowledge that an order or orders of substantially the same size, at substantially the same time and at substantially the same price for the purchase of that security, has been or will be entered;

(c) making purchases of, or offers to purchase, a security at successively higher prices or in a pattern generally of successively higher prices;

(d) making sales of or offers to sell a security at successively lower prices or in a pattern generally of successively lower prices;

(e) entering an order or orders for the purchase or sale of a security to:

(i) establish a predetermined sale price, ask price or bid price,

(ii) effect a high or low closing sale price, ask price or bid price, or

(iii) maintain the sale price, ask price or bid price within a predetermined range;

(f) entering an order or a series of orders for a security that are not intended to be executed;

(g) entering an order for the purchase of a security without, at the time of entering the order, having the ability or the reasonable expectation to make the payment that would be required to settle any trade that would result from the execution of the order; and

(h) entering an order for the sale of a security without, at the time of entering the order, having the reasonable expectation of settling any trade that would result from the execution of the order.

If persons know or ought reasonably to know that they are engaging or participating in these or similar types of activities those persons will be in breach of subsection (2) of Rule 2.2 irrespective of whether such activity results in a false or misleading appearance of trading activity or interest in the purchase or sale of a security or an artificial ask price, bid price or sale price for a security or a related security.

Part 3 – Artificial Pricing

For the purposes of subsection (2) of Rule 2.2, an ask price, bid price or sale price will be considered artificial if it is not justified by real demand or supply in a security. Whether or not a particular price is "artificial" depends on the particular circumstances.

Some of the relevant considerations in determining whether a price is artificial are:

(a) the prices of the preceding trades and succeeding trades;

(b) the change in the last sale price, best ask price or best bid price that results from the entry of the order on a marketplace;

(c) the recent liquidity of the security;

(d) the time the order is entered and any instructions relevant to the time of entry of the order; and

(e) whether any Participant, Access Person or account involved in the order:

(i) has any motivation to establish an artificial price, or

(ii) represents substantially all of the orders entered or executed for the purchase or sale of the security.

The absence of any one or more of these considerations is not determinative that a price is or is not artificial.

4. Part 1 of Policy 7.1 is amended by adding the following at the end:

The obligation to supervise applies whether the order is entered on a marketplace:

- by a trader employed by the Participant,
- by an employee of the Participant through an order routing system,
- directly by a client and routed to a marketplace through the trading system of the Participant, or
- by any other means.

In performing the trading supervision obligations, the Participant will act as a "gatekeeper" to help prevent and detect violations of applicable Requirements.

Where an order is entered on a marketplace without the involvement of a trader (for example by a client with a systems interconnect arrangement in accordance with Policy 2-501 of the Toronto Stock Exchange), the Participant retains responsibility for that order and the supervision policies and procedures should adequately address the additional risk exposure which the Participant may have for orders that are not directly handled by staff of the Participant. For example, it may be appropriate for the Participant to sample for compliance testing a higher percentage of orders that have been entered directly by clients than the percentage of orders sampled in other circumstances.

In addition, the "post order entry" compliance testing should recognize that the limited involvement of staff of the Participant in the entry of orders by a direct access client may restrict the ability of the Participant to detect orders that are not in compliance with specific rules. For example, "post order entry" compliance testing may be focused on whether an order entered by a direct access client:

- has created an artificial price contrary to Rule 2.2;
- is part of a "wash trade" (in circumstances where the client has more than one account with the Participant);
- is an unmarked short sale (if the trading system of the Participant does not automatically code as "short" any sale of a security not then held in the account of the client); and
- has complied with order marking requirements and in particular the requirement to mark an order as from an insider or significant shareholder (unless the trading system of the Participant restricts trading activities in affected securities).

5. Part 2 of Policy 7.1 is amended by deleting numbered paragraph 6 and substituting the following:

6. Identify the steps the Participant will take when a violation or possible violation of a Requirement or any regulatory requirement has been identified. These steps shall include the procedure for the reporting of the violation or possible violation to the Market Regulator as required by Rule 10.16. If there has been a violation or possible violation of a Requirement identify the steps that would be taken by the Participant to determine if:
    - additional supervision should be instituted for the employee, the account or the business line that may have been involved with the violation or possible violation of a Requirement; and
    - the written policies and procedures that have been adopted by the Participant should be amended to reduce the possibility of a future violation of the Requirement.

6. Policy 7.1 is amended by adding the following as Part 5:

Part 5 – Specific Procedures Respecting Manipulative and Deceptive Activities and Reporting and Gatekeeper Obligations

Each Participant must develop and implement compliance procedures that are reasonably well designed to ensure that orders entered on a marketplace by or through a Participant are not part of a manipulative or deceptive method, act or practice nor an attempt to create an artificial price or a false or misleading appearance of trading activity or interest in the purchase or sale of a security. The minimum compliance procedures for trading supervision in connection with Rule 2.2 and Policy 2.2 are set out in the table to Part 3 of this Policy.

In particular, the procedures must address:

- the steps to be undertaken to determine whether or not a person entering an order is:
  - an insider,
  - an associate of an insider, and
  - part of or an associate of a promotional group or other group with an interest in effecting an artificial price, either for banking and margin purposes, for purposes of effecting a distribution of the securities of the issuer or for any other improper purpose;
- the steps to be taken to monitor the trading activity of any person who has multiple accounts with the Participant including other accounts in which the person has an interest or over which the person has direction or control;
- those circumstances when the Participant is unable to verify certain information (such as the beneficial ownership of the account on behalf of which the order is entered, unless that information is required by applicable regulatory requirements);
- the fact that orders which are intended to or which effect an artificial price are more likely to appear at the end of a month, quarter or year or on the date of the expiry of options where the underlying interest is a listed security; and
- the fact that orders which are intended to or which effect an artificial price or a false or misleading appearance of trading activity or investor interest are more likely to involve securities with limited liquidity.

While a Participant cannot be expected to know the details of trading activity conducted by a client through another dealer, nonetheless, a Participant that provides advice to a client on the suitability of investments should have an understanding of the financial position and assets of the client and this understanding would include general knowledge of the holdings by the client at other dealers or directly in the name of the client. The compliance procedures of the Participant should allow the Participant to take into consideration, as part of its compliance monitoring, information which the Participant has collected respecting accounts at other dealers as part of the completion and periodic updating of the “New Client Application Form”.

7. The following is added a Part 1 of Policy 10.1:

Policy 10.1 Compliance Requirement

Part 1 – Monitoring for Compliance

Rule 10.1 requires each Participant and Access Person to comply with applicable Requirements. The term “Requirements” is defined as meaning:

- these Rules;
- the Policies;
- the Trading Rules;

- the Marketplace Rules;
- any direction, order or decision of the Market Regulator or a Market Integrity Official; and
- securities legislation,

as amended, supplemented and in effect from time to time.

The Market Regulator will monitor the activities of Regulated Persons for compliance with each aspect of the definition of Requirements and the Market Regulator will use the powers under Rule 10.2 to conduct any investigation into possible non-compliance. If the Regulated Person has not complied with:

- these Rules, the Policies or any direction, order or decision of the Market Regulator or a Market Integrity Official, the Market Regulator may undertake a disciplinary proceeding pursuant to Rule 10.5;
- the Trading Rules or securities legislation, the Market Regulator may, pursuant to the exchange of information provided for under Rule 10.13, refer the matter to the applicable securities regulatory authority to be dealt with in accordance with applicable securities legislation; and
- Marketplace Rules, the Market Regulator may undertake a disciplinary proceeding pursuant to Rule 10.5 if the marketplace has retained the Market Regulator to conduct disciplinary proceedings on behalf of the marketplace in accordance with an agreement with the Market Regulator contemplated by Part 7 of the Trading Rules, otherwise the Market Regulator may refer the matter to the marketplace to be dealt with in accordance with the Marketplaces Rules of that marketplace.

Appendix "B"

Universal Market Integrity Rules

Comments Received on Proposed Amendments

Related to Manipulative and Deceptive Activities

On January 30, 2004, RS issued Market Integrity Notice 2004-003 requesting comments on proposed amendments to UMIR related to manipulative and deceptive activities. In response to that Market Integrity Notice, RS received comments from the following persons:

BMO Nesbitt Burns ("BMO")
Canaccord Capital Corporation ("Canaccord")
CIBC World Markets ("CIBC")
E*Trade Canada Securities Corporation ("E*Trade")
GMP Securities Ltd. ("GMP")
HSBC Securities Inc. ("HSBC")
Jones, Gable & Company Limited ("JG")
Merrill Lynch Canada Inc. ("ML")
Raymond James Ltd. ("RJ")
RBC Capital Markets ("RBCCM")
RBC Investments ("RBCI")
Scotia Capital Inc. ("Scotia")
TDNewcrest ("TD")
TSX Markets ("TSX")
Westwind Partners Inc. ("WPI")

The following table presents a summary of the comments received together with the response of RS to those comments. Column 1 of the table is also marked to indicate the revisions to the amendments as published on January 30, 2004 that are proposed by RS in response to the comments. Additions are indicated in "red" font and the added text is underlined while deletions from the January 30, 2004 proposal are indicated in "blue" font and the deleted text is struck out.

Text of Provisions Following Adoption of Proposed Amendments As Revised	Commentator and Summary of Comment	Response to Comment
1.1 Definitions **"Requirements"** means, collectively: (a) these Rules; (b) the Policies; (c) the Trading Rules; (d) the Marketplace Rules; (e) any direction, order or decision of the Market Regulator or a Market Integrity Official; and (f) securities legislation, as amended, supplemented and in effect from time to time.	**TSX** – Agrees with the addition of "securities legislation".	

Text of Provisions Following Adoption of Proposed Amendments As Revised	Commentator and Summary of Comment	Response to Comment
Policy 1.2 Interpretation **Part 1 – "Ought Reasonably to Know"** Rule 2.2 prohibits a Participant or Access Person from doing various acts if the Participant or Access Person "knows or ought reasonably to know" that a particular method, act or practice was manipulative or deceptive or that the effect of entering an order or executing a trade would create or could reasonably be expected to create a false or misleading appearance of trading activity or interest or an artificial price. Rule 2.3 prohibits a Participant or Access Person from entering an order on a marketplace or executing a trade if the Participant or Access Person "knows or ought reasonably to know" that the entry of the order or the execution of the trade would result in the violation of various securities or regulatory requirements. In determining what a person "ought reasonably to know" reference would be made to generally accepted industry standards and practices applicable to a person of their size conducting the same types of business in the same jurisdiction. In essence, the test becomes what could a Participant or Access Person have been expected to know if the Participant or Access Person had: • adopted various policies and procedures as required by applicable securities legislation, self-regulatory entities and the Rules and Policies; and • conscientiously followed or observed the policies and procedures. A Participant or Access Person must be aware that the generally accepted industry standard may exceed minimum standards required by various regulatory requirements including any minimum elements of a supervisory system and minimum compliance procedures set out in Policy 7.1. If there is no generally accepted industry standard, a Participant or		(See response to "Canaccord" comment on Rule 2.2 below.) (See response to "BMO" comment on Rule 2.3 below.) The proposed standard for what a Participant or Access Person "ought reasonably to know" is tied to generally accepted industry standards and practices that are applicable for a Participant or Access Person of comparable circumstances. The Policy also makes it clear that generally accepted industry standards may in fact be in excess of "minimum" standards imposed by various regulatory requirements. The Policy also provides that in circumstances where there is not a generally accepted industry standard, "a Participant or Access Person, acting honestly and in good faith, must exercise the care, diligence and skill that a reasonably prudent Participant or Access Person would exercise in comparable circumstances." This "prudent person" test incorporates the statutory test used generally throughout securities and corporate legislation, particularly in connection with the obligations of directors and officers. The Policy essentially reflects the common law standard that has been applied before Hearing Panels in Alberta, British Columbia and Ontario and ensures that this same standard will be applied before Hearing Panels in Quebec, a civil law jurisdiction. The adoption of the Policy will ensure the application of a uniform standard in all jurisdictions (both common law and civil law).

Text of Provisions Following Adoption of Proposed Amendments As Revised	Commentator and Summary of Comment	Response to Comment
Access Person, acting honestly and in good faith, must exercise the care, diligence and skill that a reasonably prudent Participant or Access Person would exercise in comparable circumstances.		
2.2 Manipulative and Deceptive Activities (1) A Participant or Access Person shall not, directly or indirectly, engage in or participate in the use of any manipulative or deceptive method, act or practice in connection with any order or trade on a marketplace if the Participant or Access Person knows or ought reasonably to know the nature of the method, act or practice. (2) A Participant or Access Person shall not, directly or indirectly enter an order or execute a trade on a marketplace if the Participant or Access Person knows or ought reasonably to know that the entry of the order or the execution of the trade will create or could reasonably be expected to create: (a) a false or misleading appearance of trading activity or interest in the purchase or sale of the security; or (b) an artificial ask price, bid price or sale price for the security or a related security. (3) For greater certainty, the entry of an order or the execution of a trade on a marketplace by a person in accordance with the Market Maker Obligations shall not be considered a violation of subsection (1) or (2) provided such order or trade complies with applicable Marketplace Rules and the order or trade was required to	**BMO** – Concerned that "ought to know" is tantamount to a duty of strict liability, which is an unreasonable burden. Suggests that the rule should establish a "safe harbour" or due diligence defense.	The intention of RS was to move the standard to the one presently required by the Trading Rules in respect of trades not otherwise subject to UMIR. RS was of the view that "reasonably" was implied. However, to ensure that standard is recognized as equivalent, RS would propose to insert the word "reasonably".
	Canaccord – Suggests an interpretation and explanation of interpretation of "ought to know" is required.	RS would propose to add as part of the Policy an explanation of the "ought reasonably to know" standard and the fact that the test is an objective one based on generally accepted industry practice. (See Part 1 of Policy 1.2 – Interpretation as proposed above.).
	CIBC – Concerned that "ought to have known" is unclear and prone to "regulation by hindsight" as it offers no measurable standard on which a firm can develop policies and procedures. Where clients do not maintain entire portfolios at one Participant, Participant can have little knowledge about clients' motivation behind a particular trade.	(See response to "Canaccord" comment on Rule 2.2 above.)
	E*Trade – Concerned that "ought to know" standard creates new offense of "deceptive activity" where deception and knowledge thereof are not necessary. Concerned that strict or absolute liability will attach to Participant for conduct of clients. Concerned that the amendments wrongly assume that manipulative activity lends itself to a prescriptive definition and is readily identifiable but do not themselves describe prohibited conduct. Concerned that, under the amendments, legitimate trading activity may be an offense if it is perceived as deceptive. Concerned that rationale for "ought to know" standard (ie. aiding and abetting client's activity) disregards fact that one cannot aid and abet type of activity if one has no knowledge of it. Concerned that for order entry activity to be deceptive, one must have	(See response to "Canaccord" comment on Rule 2.2 above.) Notwithstanding that the current heading of Rule 2.2 is "Manipulative or Deceptive Method of Trading", the text of the rule applied to the entry of orders as well as the execution of trades. The change in language to use the word "activities" reflected this fact. RS acknowledges that there will be many instances where a client undertakes order or trade activity for manipulative or deceptive purposes that a Participant will not be able to detect either in real-time on order entry or in during post-trade compliance reviews. The Participant would not be in breach of Rule 2.2 unless the Participant knew or "ought

Text of Provisions Following Adoption of Proposed Amendments As Revised	Commentator and Summary of Comment	Response to Comment
fulfill applicable Market Maker Obligations.	deceptive intent, which cannot be discerned on a real-time basis. Recommends that requirement for "actual knowledge" be retained and that legitimate trading activity such as legitimate arbitrage, hedging and day-trading are not prohibited. Notes that focus of prohibition have moved away from "trading" and towards "activity" including order placement. Suggests that the focus be returned to trading and that recognition that proper analysis of conduct cannot be done on a real-time basis but requires after-the-fact analysis.	reasonably to know" that the activity was manipulative or deceptive.
	HSBC – Concerned about "ought to know" standard and how it will be interpreted and applied by RS. Concerned that standard is undefined and subjective and that amendments do not set guidelines, as such Access Persons and Participants have little guidance as to when they ought to know that effecting a trade is contrary to the rules. Concerned that RS will have benefit of access to after-the-fact information whereas Access Persons will have only the available at the time of the order. States that there is no recognition of the unique status of order-execution services.	(See response to "Canaccord" comment on Rule 2.2 above.)
	ML – Concerned about the scope of "know or ought to know".	(See response to "Canaccord" comment on Rule 2.2 above.)
	RBCCM – Concerned that "ought to know" would be difficult to defend against. Would suggest standard of "reasonably expected to know".	RS would propose to adopt the phrase "ought reasonably to know" - being the terminology used in the "Manipulation and Fraud" provision of the Trading Rules.
	RBCI – Seeks guidance on how Participants assess when individuals "ought to know" the impact of their trades. Suggests that an exemption similar to 2.2(3) be made for Participants who enter retail client-directed trade instructions in an "order-execution only" capacity.	While a Participant will have more limited obligations on order entry in respect of "order-execution accounts" (due to the practical fact that the Participant has less involvement in the handling of the order prior to entry on a marketplace), the Participant nonetheless retains a responsibility for monitoring trades undertaken by such accounts. In fact, in light of the limited "pre-trade" review, RS is proposing to expand Part 1 of Policy 7.1 on Trading Supervision Obligations to specifically suggest that it may be appropriate for a Participant to sample, for compliance testing, a higher percentage of orders that have been entered directly by clients than the percentage of orders

Text of Provisions Following Adoption of Proposed Amendments As Revised	Commentator and Summary of Comment	Response to Comment
		sampled in other circumstances. In addition, the Policy would be expanded to specifically reference Rules which may be more "prone" to being breached where there is limited involvement by Participant prior to the entry of an order on a marketplace.
	RJ – Asks, what is the test employed by RS to determine whether a party is using order entry for manipulative and deceptive purposes versus a genuine interest to purchase at those prices?	The factors to be taken into consideration in assessing whether a price is artificial are set out in Part 3 of Policy 2.2.
	TSX – Suggests that the standard should be "ought reasonably to know" to consistent with the Trading Rules and securities legislation in certain provinces. Supports the specific exemption for trades in accordance with market maker obligations.	(See response to "Canaccord" comment on Rule 2.2 above.)
	WPI – Concerned that often manipulative activity requires a pattern of trading activity and that in the absence of guidelines, the "ought to know requirement" will be interpreted by RS enforcement staff with 20/20 hindsight.	(See response to "Canaccord" comment on Rule 2.2 above.)
Policy 2.2 Manipulative and Deceptive Activities **Part 1 - Manipulative or Deceptive Method, Act or Practice** There are a number of activities which, by their very nature, will be considered to be a manipulative or deceptive method, act or practice. For the purpose of subsection (1) of Rule 2.2 and without limiting the generality of that subsection, the following activities when undertaken on a marketplace constitute a manipulative or deceptive method, act or practice: (a) making a fictitious trade; (b) effecting a trade in a security which involves no change in the beneficial or economic ownership; (c) effecting a trade in a security, other than an internal cross, between accounts under the direction or control of the same person; (dc) effecting trades by a single interest	**BMO** – Concerned that there is no guidance or certainty as to the standard of care to which a participant will be held in determining whether it "ought to know" that an activity is manipulative. What steps must be taken to comply with the rule? States that determination of the standard through enforcement proceedings is undesirable.	(See response to "Canaccord" comment on Rule 2.2 above.)
	JG – Concerned that the "ought to know" test is undefined and leaves participants exposed to prosecution by regulators who have the benefit of hindsight. Suggests clarification and guidance of what one "ought to know".	(See response to "Canaccord" comment on Rule 2.2 above.)
	TD – "Knew or ought to have known" standard is difficult/unreasonable as it relates to a single offending transaction. Participants should be provided some latitude to establish a pattern of non-compliance by the same client/trader or security over a period of time.	(See response to "Canaccord" comment on Rule 2.2 above.) The latitude for the Participant is built into the concept of "knew or ought reasonably to know". Once the Participant knows that the activity by the client is unacceptable, the Participant is under an obligation to stop any further activity. The rule does not require the Participant to take action on the "first incident" if the

Text of Provisions Following Adoption of Proposed Amendments As Revised	Commentator and Summary of Comment	Response to Comment
or group with the intent of limiting the supply of a security for settlement of trades made by other persons except at prices and on terms arbitrarily dictated by such interest or group; and (ed) purchasing a security with the intention of making a sale of the same or a different number of units of the security or a related security on a marketplace at a price which is below the price of the last sale of a standard trading unit of such security displayed in a consolidated market display. If persons know or ought reasonably to know that they are engaging or participating in these or similar types of activities those persons will be in breach of subsection (1) of Rule 2.2 irrespective of whether such method, act or practice results in a false or misleading appearance of trading activity or interest in the purchase or sale of a security or an artificial ask price, bid price or sale price for a security or a related security.		Participant did not know or could not reasonably be expected to know that the activity was manipulative.
Policy 2.2 Manipulative and Deceptive Activities **Part 2 – False or Misleading Appearance of Trading Activity or Artificial Price** For the purposes of subsection (2) of Rule 2.2 and without limiting the generality of that subsection, if any of the following activities are undertaken on a marketplace and create or could reasonably be expected to create a false or misleading appearance of trading activity or interest in the purchase or sale of a security or an artificial ask price, bid price or sale price, the entry of the order or the execution of the trade shall constitute a violation of subsection (2) of Rule 2.2: (a) entering an order or orders for the purchase of a security with the knowledge that an order or orders of substantially the same size, at substantially the same time and at substantially the same price for the sale of that security, has been or will be entered by or for the same or different persons;	**CIBC** – States that 2.2(h) appears to be similar to NASD 3370 (affirmative determination). Suggests that RS should state what is required in order to meet "reasonable expectations" test.	The test being suggested by RS is similar to that a required under clause (f) of section 3.1 of the Companion Policy to the Trading Rules. It does not require a "positive affirmation" before the trade. The proposal under clause (h) does not limit the ability to make a bona fide short sale. It does not require that the vendor have borrowed the securities prior to the sale. The provision merely requires that the vendor not make a sale knowing that the securities can not be borrowed and that the vendor take "reasonable steps" to attempt to borrow the securities to make delivery on closing. Having made a short sale of a security that has failed to settle because of an inability to borrow the security, a person should not undertake further short sales of that security without knowing where the securities to complete the additional sales will be obtained.
	E*Trade - Recommends that express requirement for "knowledge" be retained as pre-requisite to offense of deceptive or manipulative trading activity. Recommends that express	The Policy was intended to list the unacceptable activities. The requirement for "knowledge" was in Rule 2.2 itself. To clarify this aspect, RS would propose to repeat the

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(b) entering an order or orders for the sale of a security with the knowledge that an order or orders of substantially the same size, at substantially the same time and at substantially the same price for the purchase of that security, has been or will be entered; (c) making purchases of, or offers to purchase, a security at successively higher prices or in a pattern generally of successively higher prices; (d) making sales of or offers to sell a security at successively lower prices or in a pattern generally of successively lower prices; (e) entering an order or orders for the purchase or sale of a security to: (i) establish a predetermined sale price, ask price or bid price, (ii) effect a high or low closing sale price, ask price or bid price, or (iii) maintain the sale price, ask price or bid price within a predetermined range; (f) entering an order or series of orders for a security that are not intended to be executed; (g) entering an order for the purchase of a security without, at the time of entering the order, having the ability or the reasonable expectation to make the payment that would be required to settle any trade that would result from the execution of the order; and (h) entering an order for the sale of a security without, at the time of entering the order, having ~~the ability or~~ the reasonable expectation to ~~make delivery of the securities that would be required to~~ settle any trade that would result from the execution of the order. <u>If persons know or ought reasonably to know that they are engaging or</u>	requirement for "knowledge" be retained in combination with requirement that conduct actually resulted in artificial appearance of trading interest or artificial price. Concerned that strict or absolute liability will attach to Participant for conduct of clients. Requests that examples of trading patterns in UMIR should remain non-prescriptive as they could otherwise attach to and impede legitimate trading activity.	"knowledge" requirement in the preamble to the list of unacceptable activities.
	RBCCM – Requests clarification on requirements regarding delivery verification for short selling. Notes that US rules for affirmative determination provide more detailed requirements.	(See response to CIBC comment on Part 2 of Policy 2.2 above.)
	RJ – Concerned that an RS investigation into an individual may taint the objectivity of other regulators. Asks, what empowerment do the Participants have to determine that a pattern is not a manipulative or deceptive one? Concerned that a requirement to borrow shares before short sales are executed could diminish the ability of small firms to service clients, as the "borrow" exists in bank-owned firms. Also concerned that enacting 2.2(3)(h) could create such additional demand for borrowable shares in the marketplace as to lead to possible manipulation in order to cover positions that have become to expensive to borrow. Suggests the development of a regulated electronic stock lending system.	(See response to CIBC comment on Part 2 of Policy 2.2 above.)
	ML – Concerned that the regulator expects a Participant to reasonably confirm that securities will be available to settle a trade.	(See response to CIBC comment on Part 2 of Policy 2.2 above.) The test for conducting short sales is similar to the one in the Trading Rules which apply to trades on markets which have not adopted UMIR.

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participating in these or similar types of activities those persons will be in breach of subsection (2) of Rule 2.2 irrespective of whether such activity results in a false or misleading appearance of trading activity or interest in the purchase or sale of a security or an artificial ask price, bid price or sale price for a security or a related security.		
Policy 2.2 Manipulative and Deceptive Activities **Part 3 – Artificial Pricing** For the purposes of subsection (2) of Rule 2.2, an ask price, bid price or sale price will be considered artificial if it is not justified by real demand or supply in a securitystock. Whether or not a particular price is "artificial" depends on the particular circumstances. Some of the relevant considerations in determining whether a price is artificial are: (a) the prices of the preceding and succeeding trades; (b) the change in last sale price, best ask price or best bid price that results from the entry of the order; (c) the recent liquidity of the security; (d) the time the order is entered, or any instructions relevant to the time of entry of the order; and (e) whether any Participant, Access Person or account involved in the order: (i) has any motivation to establish an artificial price, or (ii) represents substantially all of the orders entered or executed for the purchase or sale of the security. The absence of any one or more of these considerations is not determinative that a price is or is not artificial.	**E*Trade –** Recommends that requirement of "intent" to establish artificial price and the definitional provision that an artificial price is not one supported by supply and demand should be retained.	In accordance with Rule 2.2 the Participant or Access Person must know or ought reasonably to know that the entry of the order or the execution of the trade will create or could reasonably be expected to create an artificial price. In the view of RS, the appropriate test is whether the person knew or ought reasonably to know that the price would be "artificial" rather than whether the person intended to create an "artificial" price. The Policy specifically states that a price will be considered artificial "if it is not justified by real demand or supply" in a security.

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2.3 Improper Orders and Trades A Participant or Access Person shall not enter an order on a marketplace or execute a trade if the Participant or Access Person knows or ought reasonably to know that ~~that~~the entry of the order or the execution of the trade would not comply with or would result in the violation of: (a) applicable securities legislation; (b) applicable requirements of any self-regulatory entity~~organization~~ of which the Participant or Access Person is a member; (c) the Marketplace Rules of the marketplace on which the order is entered; (d) the Marketplace Rules of the marketplace on which the trade is executed; or~~and~~ (e) the Rules and Policies.	**BMO** – Concerned that rule imposes "ought to know" duty on Participants but without guidance as to how that duty can be discharged. "Ought to know" is tantamount to a duty of strict liability, which is an unreasonable burden. Reviewing of all orders would be necessary, which is commercially unreasonable and contrary to movement of marketplace to direct access. Suggests that a more reasonable approach would require Participants to review orders/trades based on certain limits eg. frequency of trading or trade size (price or volume).	The proposed Rule does not require each order to be "verified". The Rule would prohibit order entry in circumstances where the Participant or Access Person "knows or ought reasonably to know" that the entry of the order or the execution of the trade would result in a violation of a regulatory requirement. The test for what a Participant or Access Person could reasonably be expected to know would be set out as a policy under Rule 1.2 on interpretation. (See Part 1 of Policy 1.2 – Interpretation as proposed above.)
	E*Trade – Concerned that a strict liability standard should not be adopted in respect of manipulative or deceptive practices. Recommends that requirement for "knowledge" be maintained.	Knowledge is still a required element of the rule. However, the rule also covers circumstances where the person "ought reasonably to know". To clarify that standard, it is proposed that Part 1 of Policy 1.2 – Interpretation be added.
	RJ – Asks, what is the test that will be employed by RS to determine the level of scrutiny to which a trader should subject a client? Are traders required to ask questions every time? If the client lies and an illegal trade occurs, is the firm protected based on documented best efforts?	(See response to "BMO" comment on Rule 2.3 above.)
	Scotia – Requests clarification as to the phrase "ought to know" and the degree of due diligence and intervention expected of Participants prior to the entry of an order.	(See response to "BMO" comment on Rule 2.3 above.)
	TSX – Suggests that examples of the standard expected of Participants should be provided or at least the language should be "ought reasonably to know".	RS would propose to insert the word "reasonably".
7.1 Trading Supervision Obligations (2) Prior to the entry of an order on a marketplace by a Participant, the Participant shall comply with: (a) applicable regulatory standards with respect to the review, acceptance and approval of orders; (b) the policies and procedures adopted in accordance with subsection (1); and	**RJ** – Regarding monitoring trading activity by persons with multiple accounts, concerned that privacy legislation prevents firms to legally share information. Seeks clarification as to whether the requirement would apply to know what interests clients have at other firms, under "Know your client" rules. Requests guidance in revamping New Client Application Forms to comply with rules.	With respect to multiple accounts, the primary focus clearly is on other accounts at the Participant in which the client has an interest or has direction or control. Where a Participant is providing advice to a client on the suitability of investments, the Participant should have an understanding of the financial position and assets of the client and this understanding would include holdings by the client at other dealers or directly in the name of the client.

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(c) all requirements of these Rules and each Policy.		The proposed rule does not require a "revamping" of New Client Application Forms. The rule merely ensures that a Participant should take into account information which the Participant has or should have collected.
	RBCI – Seeks guidance on how Participants assess whether an employee "ought to have known" an order or trade would be non-compliant.	RS would propose to add as Part 1 of Policy 1.2 an explanation of the "reasonably ought to know standard".
	Scotia – Requests direction as to how to detect insiders prior to order entry. Adds that there is no mechanism for Participants to prevent entry of orders by retail clients or Access Persons. Requests guidance as to monitoring trading activity of clients with interests in multiple accounts with more than one Participant.	Part of the "know your client" form completed by a Participant requires information on whether a client is an insider or significant shareholder of a listed company. Provided that the know your client form is reviewed periodically in accordance with the practice of the Participant, the Participant will be able to rely on this information. Where there is direct entry of orders by clients of the Participant, the Participant would be expected to ensure that the client is aware of limitations on order entry by insiders or significant shareholders and to adopt a procedure to check for compliance. With respect to multiple accounts, the primary focus clearly is on other accounts at the Participants in which the client has an interest or has direction or control.
Policy 7.1 Trading Supervision Obligations **Part 1 – Responsibility for Supervision and Compliance** For the purposes of Rule 7.1, a Participant shall supervise its employees, directors and officers and, if applicable, partners to ensure that trading in securities on a marketplace (an Exchange, QTRS or ATS) is carried out in compliance with the applicable Requirements (which includes provisions of securities legislation, UMIR, the Trading Rules and the Marketplace Rules of any applicable Exchange or QTRS). An effective supervision system requires a strong overall commitment on the part of the Participant, through its board of directors, to develop and implement a clearly defined set of policies and procedures that are reasonably	**E*Trade –** Concerned that amendment implies that it is the Participant's duty to guarantee that no trade violations will occur. Recommends that this be clarified such that the Participant's responsibility is to maintain reasonable supervision standards. Concerned that addition of word "acceptance" implies that there is an obligation to vet orders to assess whether they are deceptive prior to their acceptance. Concerned that it is impossible to prevent an entry of an order that, upon investigation and consideration of a wide range of factors, may be part of an offensive pattern. Concerned that this is particularly difficult for electronic brokers who legitimately provide direct access.	(See response to TSX comment on Part 1 of Policy 7.1 below.) (See response to the general comment of TD below.)
	Scotia - Concerned that "gatekeeper" requires Participant to be "guarantor" of propriety of all orders. Seeks a more pragmatic definition and delineation of	It was not the intention of RS that the "gatekeeper" responsibility be seen as acting as a "guarantor". RS sees the "gatekeeper" function as an integral

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designed to prevent and detect violations of Requirements. The board of directors of a Participant is responsible for the overall stewardship of the firm with a specific responsibility to supervise the management of the firm. On an ongoing basis, the board of directors must ensure that the principal risks for non-compliance with Requirements have been identified and that appropriate supervision and compliance procedures to manage those risks have been implemented. Management of the Participant is responsible for ensuring that the supervision system adopted by the Participant is effectively carried out. The head of trading and any other person to whom supervisory responsibility has been delegated must fully and properly supervise all employees under their supervision to ensure their compliance with Requirements. If a supervisor has not followed the supervision procedures adopted by the Participant, the supervisor will have failed to comply with their supervisory obligations under Rule 7.1(4). When the Market Regulator reviews the supervision system of a Participant (for example, when a violation occurs of Requirements), the Market Regulator will consider whether the supervisory system is reasonably well designed to prevent and detect violations of Requirements and whether the system was followed. The compliance department is responsible for monitoring and reporting adherence to rules, regulations, requirements, policies and procedures. In doing so, the compliance department must have a compliance monitoring system in place that is reasonably designed to prevent and detect violations. The compliance department must report the results from its monitoring to the Participant's management and, where appropriate, the board of directors, or its equivalent. Management and the board of directors must ensure that the compliance department is adequately funded, staffed and empowered to fulfil these	gatekeeper role.	by-product of the Participant performing its trading supervision obligations.
	TSX – Suggests that specific direction should be given as to the "additional measures" which would be considered appropriate for direct access clients. Requests clarification of the supervisory obligations for an account where "know-your-client" obligations have been waived.	Examples will be given of the types of measures RS might expect a Participant to adopt with respect to trades by direct access clients. However, each firm must evaluate its own requirements based on their particular circumstances, namely their risks associated with the types of clients who have access. It is the understanding of RS that a Participant can be relieved of its obligations to ensure that each trade is "suitable" but that the dealer is not relieved of its obligation to "know" its client.
	WPI – Concerned that the responsibility of a Participant for an order may leave Participants open in the courts to litigation by other market participants for trades executed by the clients of the Participants.	UMIR and Marketplace Rules impose strict liability on a Participant for each order or trade made by the Participant. The responsibility to a regulator or self-regulatory entity does not alter its obligations to other market participants.

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responsibilities. The obligation to supervise applies whether the order is entered on a marketplace: • by a trader employed by the Participant, • by an employee of the Participant through an order routing system, • directly by a client and routed to a marketplace through the trading system of the Participant, or • by any other means. In performing the trading supervision obligations, the ~~The~~ Participant will act as a "gatekeeper" to help prevent and detect violations of ~~with responsibility to ensure that each order complies with all~~ applicable Requirements. Where an order is entered on a marketplace without the involvement of a trader (for example by a client with a systems interconnect arrangement in accordance with Policy 2-501 of the Toronto Stock Exchange), the Participant retains responsibility for that order and the supervision policies and procedures should adequately address the additional risk exposure which the Participant may have~~has~~ for orders that are not directly handled by staff of the Participant. For example, it may be appropriate for the Participant to sample for compliance testing a higher percentage of orders that have been entered directly by clients than the percentage of orders sampled in other circumstances. In addition, the "post order entry" compliance testing should recognize that the limited involvement of staff of the Participant in the entry of orders by a direct access client may restrict the ability of the Participant to detect orders that are not in compliance with specific rules. For example, "post order entry" compliance testing may be focused on whether an order entered by a direct access client: • has created an artificial price		

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contrary to Rule 2.2; • is part of a "wash trade" (in circumstances where the client has more than one account with the Participant); • is an unmarked short sale (if the trading system of the Participant does not automatically code as "short" any sale of a security not then held in the account of the client); and • has complied with order marking requirements and in particular the requirement to mark an order as from an insider or significant shareholder (unless the trading system of the Participant restricts trading activities in affected securities).		
Policy 7.1 Trading Supervision Obligations **Part 2 – Minimum Elements of a Supervision System** Regardless of the circumstances of the Participant, however, every Participant must: 6. Identify the steps the Participant will take when violation or possible violation of a Requirement or any regulatory requirement have been identified. These steps shall include the procedure for the reporting of the violation or possible violation to the Market Regulator as required by Rule 10.16. If there has been a violation or possible violation of a Requirement identify the steps that would be taken by the Participant to determine if: • additional supervision should be instituted for the employee, the account or the business line that may ~~be~~ have been involved with the violation or possible		

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violation of a Requirement.; and • the written policies and procedures that have been adopted by the Participant should be amended to reduce the possibility of a future violation of the Requirement.		
Policy 7.1 Trading Supervision Obligations **Part 5 – Specific Procedures Respecting Manipulative and Deceptive Activities and Reporting and Gatekeeper Obligations** Each Participant must develop and implement compliance procedures that are reasonably well designed to ensure that orders entered on a marketplace by or through a Participant are not part of a manipulative or deceptive method, act or practice nor an attempt to create an artificial price or a false or misleading appearance of trading activity or interest in the purchase or sale of a security. The minimum compliance procedures for trading supervision in connection with Rule 2.2 and Policy 2.2 are set out in the table to Part 3 of this Policy. In particular, the procedures must address: • the steps to be undertaken to determine whether or not a person entering an order is: o an insider, o an associate of an insider, and o part of or an associate of a promotional group or other group with an interest in effecting an artificial price, either for banking and margin purposes, for purposes of effecting a distribution of the securities of the issuer or for any other improper purpose;	**RBCCM –** Concerned that changes to Policy 7.1 Part 5 are not consistent with recent changes to anti-money-laundering requirements. Suggests that a "reasonableness" standard be introduced to requirements for Participants to develop and implement compliance procedures.	Part 1 of Policy 7.1 requires that a supervisory system be "reasonably well designed to prevent and detect violations". While that general standard was taken to apply to the specific components of the supervisory system, nonetheless RS would propose to repeat the standard in this Part for clarity.
	RBCI – Suggests obligation to determine when orders are being entered by insiders should be limited to existing procedures: making reasonable enquiries at account opening of insider status and imposing obligation to inform if there is a change in status.	By Market Integrity Notice, RS has indicated that a Participant can rely on information provided by the "know your client" form provided the Participant has reviewed that information on a periodic basis in accordance with regulatory standards and the internal standards of the Participant.

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• the steps to be taken to monitor the trading activity of any person who has multiple accounts with the Participant including other accounts in which the person has an interest or over which the person has direction or control; • those circumstances when the Participant is unable to verify certain information (such as the beneficial ownership of the account on behalf of which the order is entered, unless that information is required by applicable regulatory requirements); • the fact that orders which are intended to or which effect an artificial price are more likely to appear at the end of a month, quarter or year or on the date of the expiry of options where the underlying interest is a listed security; and • the fact that orders which are intended to or which effect an artificial price or a false or misleading appearance of trading activity or investor interest are more likely to involve securities with limited liquidity. ~~Each Participant also must adopt written procedures to be followed by directors, officers and employees of the Participant with respect to the gatekeeper obligations of the Participant pursuant to Rule 10.16.~~ While a Participant cannot be expected to know the details of trading activity conducted by a client through another dealer, nonetheless, a Participant that provides advice to a client on the suitability of investments should have an understanding of the financial position and assets of the client and this understanding would include general knowledge of the holdings by the client at other dealers or directly in the name of the client. The compliance procedures of the Participant should allow the Participant to take into		

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consideration, as part of its compliance monitoring, information which the Participant has collected respecting accounts at other dealers as part of the completion and periodic updating of the "New Client Application Form".		
Policy 10.1 Compliance Requirement **Part 1 – Monitoring for Compliance** Rule 10.1 requires each Participant and Access Person to comply with applicable Requirements. The term "Requirements" is defined as meaning: • these Rules; • the Policies; • the Trading Rules; • the Marketplace Rules; • any direction, order or decision of the Market Regulator or a Market Integrity Official; and • securities legislation, as amended, supplemented and in effect from time to time. The Market Regulator will monitor the activities of Regulated Persons for compliance with each aspect of the definition of Requirements and the Market Regulator will use the powers under Rule 10.2 to conduct any investigation into possible non-compliance. If the Regulated Person has not complied with: • these Rules, the Policies or any direction, order or decision of the Market Regulator or a Market Integrity Official, the Market Regulator may undertake a disciplinary proceeding pursuant to Rule 10.5; • the Trading Rules or securities legislation, the Market Regulator may, pursuant to the exchange of information provided for under Rule 10.13, refer the matter to		

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the applicable securities regulatory authority to be dealt with in accordance with applicable securities legislation; and • Marketplace Rules, the Market Regulator may undertake a disciplinary proceeding pursuant to Rule 10.5 if the marketplace has retained the Market Regulator to conduct disciplinary proceedings on behalf of the marketplace in accordance with an agreement with the Market Regulator contemplated by Part 7 of the Trading Rules, otherwise the Market Regulator may refer the matter to the marketplace to be dealt with in accordance with the Marketplaces Rules of that marketplace.		
10.4 Extension of Restrictions (1) A related entity of a Participant and a director, officer, partner or employee of the Participant or a related entity of the Participant shall: (a) comply with the provisions of these Rules and any Policies with respect to just and equitable principles of trade, manipulative and deceptive activities, short sales and frontrunning as if references to "Participant" in Rules 2.1, 2.2, 2.3, 3.1 and 4.1 included reference to such person; and … (2) A related entity of an Access Person and a director, officer, partner or employee of the Access Person or a related entity of the Access Person shall in respect of trading on a marketplace on behalf of the Access Person or related entity of the Access Person: (a) comply with the	**E*Trade** – Concerned that Participants and their employees should not be liable for their clients' conduct absent actual knowledge in facilitating the conduct. Responsibilities should be limited to reasonable standards of supervision. **Scotia** – Requests clarifications of extension of restrictions. Suggests that Participants should not be liable for violations by employees or Access Persons who may be acting contrary to Participant's policies without knowledge or authorization.	Rule 10.4 does not make the Participant liable for the actions of the related entity but brings the related entity and its employees etc. within the ambit of UMIR and imposes an obligation to comply with certain of the core integrity rules. For the Participant to be liable for the conduct of the client in connection with manipulative or deceptive activities, the Participant must have either actual knowledge or "ought reasonably to know" that the client's conduct is unacceptable. Under Rule 10.3, a Participant or the officers, directors and supervisor "may" be found liable for the conduct of an employee. Where an employee breaches a Participant's policies without knowledge or authorization, RS would initiate disciplinary proceedings as against the Participant only in circumstances where the policies of the Participant were considered inadequate or the Participant or supervisory personnel failed to follow the procedures as adopted.

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provisions of these rules and any Policies with respect to just and equitable principles of trade, manipulative and deceptive activities and short sales as if references to "Access Person" in Rules 2.1, 2.2, 2.3 and 3.1 included reference to such person; and		
10.16 Gatekeeper Obligations of Directors, Officers and Employees of Participants and Access Persons ~~(1) Prior to the entry of an order on a marketplace by a Participant, the officer, director, partner or employee who receives or originates the order or who enters the order on a marketplace shall comply with:~~ ~~(a) applicable regulatory standards with respect to the review, acceptance and approval of orders;~~ ~~(b) the policies and procedures adopted by the Participant in accordance with Rule 7.1; and~~ ~~(c) all requirements of these Rules and each Policy~~. (1~~2~~) An officer, director, partner or employee of a Participant shall forthwith report to their supervisor or the compliance department of the Participant upon becoming aware of activity in a principal, non-client or client account of the Participant or a related entity that the officer, director, partner or employee believes may be a violation of: (a) Subsection (1) of Rule 2.1 respecting just and equitable principles of trade; (b) Rule 2.2 respecting	**BMO** – Interprets rule as imposing obligation to ensure trade is compliant on all persons involved in a trade. Concerned that this is commercially unreasonable. Requirement to report activities which "ought to know" "may be" violations difficult. Concerned that the gatekeeper requirement to report all violations to RS is excessive as would capture even technical violations and is an administrative burden without a clear objective.	Under Policy 7.1, each Participant must put in place policies and procedures with respect to trading supervision and compliance for all of the requirements under the UMIR. Subsection (1) of the proposed Rule was intended to "restate" existing obligations not to create new obligations. Subsection (1) was specific to the employee who received or originated the order whereas the obligation under Rule 7.2(2) was a generic obligation imposed on the Participant. RS would propose to delete subsection (1) such that it will be up to the Participant to determine how to discharge the obligations imposed by Rule 7.2(2). It has been the intention of RS to limit the reporting requirement to the "non-technical" rules in which either the interest of the client or the market was in issue. The "final" determination of whether conduct constitutes a violation of a UMIR should be left to the Market Regulator or a hearing panel. If there is any doubt as to whether a violation has occurred the Participant should report the event to the Market Regulator.
	Canaccord – Suggests that guidelines are required as to how an order should be "reviewed and accepted" to meet gatekeeper obligations. Concerned that Participants complying with the new gatekeeper requirements might violate UMIR 6.3 – Exposure of Client Orders. Guidelines also required as to which rule violations must be reported to RS. Concerned that obligation to report to RS may hinder current internal reporting relationships between trading and compliance departments,	The standard for the review of orders is not established by UMIR but by securities legislation and the requirements of the IDA. Each rule is not interpreted in isolation. While Rule 6.3 imposes an obligation for immediate entry of certain client orders on a marketplace, that obligation is tempered by compliance with other requirements. It has been the intention of RS to limit

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manipulative and deceptive activities; (c) Rule 2.3 respecting improper orders and trades; (d) Rule 3.1 respecting short selling; (e) Rule 4.1 respecting frontrunning; (f) Rule 5.1 respecting best execution of client orders; (g) Rule 5.2 respecting best price obligation;	which may then hinder external reporting.	the reporting requirement to potential breaches of "non-technical" rules in which either the interest of the client or the market was in issue. The IDA requires reporting to the IDA of breaches of a number of UMIR provisions. RS does not agree that providing a specific reporting function to RS for violations of UMIR would hinder current internal reporting relationships. By imposing a reporting function in a rule, the internal reporting relationship should be facilitated as there may be ramifications for the Participant if certain conduct is not reported to the Market Regulator.
(h) Rule 5.3 respecting client priority; (i) Rule 6.3 respecting exposure of client orders; (j) Rule 6.4 respecting trades to be on a marketplace; (k) Rule 7.7 respecting trades during a distribution or Rule 7.8 <u>respecting trades during a securities exchange take-over bid;</u>	**CIBC** – Interprets proposed gatekeeper standards as to require reviewing of all orders prior to entry. This is impractical in the context of direct access clients and impossible to achieve technologically. It would have a direct impact on discount Internet clients. Participants do have obligation to reasonably ensure ensuring that clients comply with rules. Traditional approach of pre-trade filters and post-trade reviews is effective. More clarification and guidance is required as to when an issue is reportable to RS. Participants must feel that they will benefit from self-reporting.	(See response to BMO comment on Rule 10.16 above.)
(l) Rule 8.1 respecting client-principal trading; and (m) any Requirement that has been designated by the Market Regulator for the purposes of this subsection. (<u>2</u>~~3~~) An officer, director, partner or employee of an Access Person shall forthwith report to their supervisor or the compliance department of the Access Person upon becoming aware of activity by the Access Person or a related entity that the officer, director, partner or employee believes may be a violation of: (a) Subsection (2) of Rule 2.1 respecting conduct of	**HSBC** – Concerned that the rule is onerous in the order-execution context. Requests clarification of the standard to which order-execution services will be held. Notes that Access Persons may be liable to clients for damages if there is a delayed execution of a legitimate order near the close which leads the client to incur a loss. Concerned that Participants will be required to spend time and resources determining the standard. Concerned that when investigating orders or trades, Participants will "err on the side of caution" and report to RS every trade that may have violated a rule, which will stretch resources and contribute to the possibility that truly abusive activities will slip through the net. Concerned that Participants will face a multiplicity of proceedings from both RS and the IDA. States that it is unclear in circumstances where client has misled a Participant, whether the Participant will be found to have	The fact that a Participant is detecting and reporting potential violations acts, in part, as evidence of the effectiveness of the supervisory system of the Participant. In the view of RS, the reporting of violations should not be "onerous" given the general levels of compliance within the industry today as ascertained through trade desk reviews conducted by RS. RS would propose that the reporting of violations be done at least monthly.

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business openly and fairly; (b) Rule 2.2 respecting manipulative and deceptive activities; (c) Rules 2.3 respecting improper orders or trades; (d) Rule 3.1 respecting short selling; and (e) any Requirement that has been designated by the Market Regulator for the purposes of this subsection.	engaged in wrongful conduct. **JG** – Suggests that a concept of "materiality" be introduced such that internal investigation and reporting requirements apply to material violations only. If no materiality concept is used, the rules would impose a formal investigation and external report for every violation which would create an administrative burden and would disadvantage clients by delaying the entry of their orders into the market.	Each client deserves the protection of the regulatory system. For example, if small client orders routinely are not being exposed to the marketplace as required by Rule 6.3 the reporting requirement should not arise simply when clients have been "materially" disadvantaged. In part, the reporting obligation would help the Participant quantify and track problems. The objective would be for the Participant to modify internal practices and procedures or address training issues to keep the "administrative burden" in check.
(34) If a supervisor or compliance department of a Participant or Access Person receives a report in accordance with subsection (12) or (23), the Participant or Access Person shall: (a) make a written record of the report by the officer, director, partner or employee; (b) diligently investigate the activity that is the subject of the report; (c) make a written record of the findings of the investigation; and (d) report the findings of the investigation to the Market Regulator if the finding of the investigation is that a violation of an applicable Rule may have occurred and such report shall be made not later than the 15th day of the month following the month in which the findings are made.	**ML** – Concerned about scope of the "gatekeeper obligation" and the expectation that Participants will screen every client order prior to execution. Questions how RS will process and utilize all information on violations and potential violations. **RBCCM –** Concerned that gatekeeper obligation adds significant cost/burden for direct access order flow and will adversely affect efficiency of markets. States that manipulative practices are pattern-based and not identifiable at time of a particular trade. Concerned that this would drive interlisted volume to foreign exchanges. Concerned that may impair "best execution" and "order exposure" obligations. Notes that buy-side clients rely on electronic trading systems provided by sell side for order management and concerned that amendments' result of lack of efficiency will discourage sell-side investment in electronic trading systems, as it will not be possible to meet buy-side's expectations of speed. Concerned that reporting of violations to RS includes reporting of minor technical breaches and suggests that, given that RS has a surveillance and audit system, a cost/benefit analysis of this reporting is unclear.	(See response to BMO comment on Rule 10.16 above.) (See response to BMO comment on Rule 10.16 above.)
(45) Each Participant and Access Person shall with respect to the record of the report and the record of the findings required by subsection (34):	**RBCI** – Concerned that gatekeeper obligation will: (i) add significant cost/burden on retail self-managed brokerage for direct access; and (ii) add challenges to abilities to	(See response to BMO comment on Rule 10.16 above.)

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(a) retain the record for a period of not less than seven years from the creation of the record; and (b) allow the Market Regulator to inspect and make copies of the record at any time during ordinary business hours during the period that such record is required to be retained in accordance with clause (a).	deliver best execution.	
	RJ – Suggests that gatekeeper obligations be clarified such that firms are only required to report to RS where strong evidence exists that UMIR was breached. Queries whether, if firm has little proof and doesn't pursue, but RS later pursues (based on RS' superior data resources) that a violation did occur, will the firm be disciplined if it didn't report to RS?	The proposed rule would require a report only when the internal investigation by the Participant came to the finding that "a violation of an applicable Rule may have occurred". A Participant would not be subject to discipline if it made a "bona fide" finding based on the information which was available to the Participant. However, the internal investigation would have to take advantage of information which was within the control of the Participant.
(5~~6~~) The obligation of a Participant or an Access Person to report findings of an investigation under subsection (3~~4~~) is in addition to any reporting obligation that may exist in accordance with applicable securities legislation, the requirements of any self-regulatory entity and any applicable Marketplace Rules.	**Scotia** – States that there is no practical way for an officer, director or employee of a Participant to ensure prior to order entry that the order will comply with all regulatory requirements and requests guidance.	The requirement is not whether the order complies with all regulatory requirements but rather whether the Participant complies with all regulatory requirements including the policies and procedures of the Participant adopted in accordance with Policy 7.1
	TSX – Supports the clarification of the "gatekeeper obligation" and indicates that the TSX is developing a product to provide Participants with alerts for possible regulatory or compliance violations.	
	WPI – Interprets the rule as requiring all orders prior to execution be reviewed, accepted and approved by staff of the Participant. Concerned that this may conflict with the requirements for order exposure.	Orders which are entered directly by clients are not subject to the handling requirements. It is for this reason that the Policy 7.1 has been amended to specifically indicate that more "post trade" attention should be paid to such orders for compliance. The requirement to immediately enter a client order is always subject to adherence with other regulatory requirements as contained in UMIR, securities legislation or the requirements of other self-regulatory entities.
~~**Policy 10.16 Gatekeeper Obligations of Directors, Officers and Employees of Participants and Access Persons**~~ **Policy 1.2 Interpretation** **Part 2~~1~~ - Applicable Regulatory Standards** Rule 7.1 requires each Participant prior	**JG** – States that clarification is required with respect to the form of self-reporting required. Concerned that self-reporting requirement is duplicative of responsibilities under COMSAT.	As indicated in the Market Integrity Notice, RS had suggested prior to the adoption of the IDA Policy that the policy require notice be given to "self-regulatory organizations" and not just "designated self-regulatory organizations" (that excludes RS). As the IDA did not adopt this suggestion, it has been necessary for RS to introduce its own reporting framework.
	RBCCM – Suggests that there be an exemption similar to IDA Policy for	In the "gatekeeper" obligation, the proposal adopts the existing

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to the entry of an order on a marketplace to comply with applicable regulatory standards with respect to the review, acceptance and approval of orders. In addition, Rule 10.16 requires each officer, director, partner or employee of a Participant who receives or originates an order or who enter the order on a marketplace to comply with applicable regulatory standards with respect to the review, acceptance and approval of orders. Each Participant that is a dealer must be a member of a self-regulatory entity~~organization~~. Each Participant ~~Most Participants will be a member of the Investment Dealers Association ("IDA") and~~ will be subject to the by-laws, regulations and policies as adopted from time to time by the applicable self-regulatory entity. These requirements may include an obligation on the ~~is provisions of Regulation 1300 which requires under paragraph 1300.1(a) that each~~ member ~~of the IDA~~ to "use due diligence to learn and remain informed of the essential facts relative to every customer and to every order or account accepted." ~~In addition to Regulation 1300, the IDA has established Policy No. 2 – Minimum Standards for Retail Account Supervision and Policy No. 4 – Minimum Standards for Institutional Account Opening, Operation and Supervision that may apply to the opening and operation of various accounts at a Participant.~~ While knowledge by a Participant of "essential facts" of every customer and order is necessary to determine the suitability of any investment for a client, ~~the IDA~~ such requirement is not limited to that single application. The exercise of due diligence to learn essential facts "relative to every customer and to every order" is a central component of the "Gatekeeper Obligation" embodied within the trading supervision obligation under ~~the Rules~~ Rule 7.1 and 10.16~~which is designed to ensure that entry of orders and trading complies with:~~ • ~~applicable regulatory requirements and standards;~~ • ~~the trading supervision policies and procedures of the Participant;~~	Institutional and Policy 9 clients, where trader does not know about the end client.	regulatory standards. It is not the intention to create a new or additional standard.
	Scotia – Concerned that Rule 10.16 imposes upon Participants alone the gatekeeper responsibility for ensuring compliance with all regulatory requirements. Concerned that this exposes Participants to regulatory and civil liability if, in hindsight, an order was not in complete compliance. Suggests that Participants play more of a role in defining the scope of the gatekeeper requirements.	(See response to BMO comment on Rule 10.16 above.)

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~~and~~ • ~~the Rules and Policies including the prohibitions against manipulative and deceptive activities under Rule 2.2.~~ In addition, securities legislation applicable in a jurisdiction may impose review standards on Participants respecting orders and accounts. In British Columbia for example, Rule 48(1) made pursuant to the *Securities Act* (British Columbia) requires registrants, with certain exceptions, to make enquiries concerning each client to learn the essential facts relative to every client, including the identity and, if applicable, creditworthiness of the client and the reputation of the client if information known to the registrant causes doubt as to whether the client is of good business or financial reputation. <u>This requirement has been interpreted as requiring registrants in British Columbia to always know the beneficial owner of an account.</u> The regulatory standards that may apply to a particular order may vary depending upon a number of circumstances including: • the requirements of any self-regulatory <u>entity</u>~~organization~~ of which the Participant is a member; • the type of account from which the order is received or originated; and • the securities legislation in the jurisdiction applicable to the order.		
General Comments	**BMO** – States that RS should state the regulatory concerns behind the amendments and how RS views the amendments as achieving the objectives. Unable to comment comprehensively due to brief comment period.	The proposals as revised are being republished for comment and RS is arranging for a public forum to discuss continuing concerns from the industry.
	Canaccord – States that Participants must be provided with clear requirements of each new rule in order to implement supervisory systems and determine costs. Time to implement systems must be considered. RS has stated that 45% of Participants have not implemented adequate internal supervision therefore perhaps a longer	There are no systems implications to the proposals. With the exception of the reporting mechanism introduced by proposed Rule 10.16, the amendments do not add "new" requirements that would be unique to UMIR but simply restate or incorporate existing regulatory requirements (including requirements

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	time period should be granted for Participants to comply with current UMIR before addition of new UMIR. Suggests a more lengthy comment period.	imposed by securities legislation and the IDA) that may be applicable to trading including trading on markets which are not subject to UMIR.
	GMP – Concerned that proposals are too vague for Participants to adopt policies with confidence that they have met standards. Concerned that as a consequence of the amendments Participants would delay the execution of orders, which would reduce efficiency and force trades to US.	Orders which are executed "off-marketplace" by a Participant are otherwise subject to the "order handling" rules contained in UMIR (and this would include orders which are executed on a market in the United States). (See response to the general comment of Canaccord above.)
	JG – Stated that Notice caused no major concerns as changes are largely of a housekeeping nature.	
	ML – Concerned that proposals represent significant change to regulatory environment and are inconsistent with other financial markets. Concerned that in response to rule changes, clients will send orders to the US. Unable to comment comprehensively due to brief comment period.	(See response to the general comment of Canaccord above.) The proposals as revised are being republished for comment and RS is arranging for a public forum to discuss continuing concerns from the industry.
	RBCCM – Concerned that proposals represent inefficient and significant change to regulatory landscape which is inconsistent with other financial markets. Concerned that amendments do not consider discount brokers, introducing/carrying broker relationships, TSX Policy 2-501 access terminals and institutional business. Requests clarification as to who is responsible in a Type 4 introducing/carrying relationship where introducing broker has compliance responsibility but Carrying broker is Participant and is providing execution.	(See response to the general comment of Canaccord above.) The amendments do take into account the wide diversity in the types of business conducted by Participants. Policy 7.1 specifically requires each Participant to deal with the risks of non-compliance that are appropriate to the size, scope and type of business. Clearly, a discount broker is not able to undertake the type of pre-trade supervision that would be associated with a order handled after the provision of advice by the Participant. On the other hand, the ability of clients to directly enter orders through the order management system of the Participant would generally mean that the Participant should undertake greater post-trade review for compliance with Requirements. Even where the introducing broker has compliance responsibility, the carrying broker should be reviewing the trades for compliance with various rules (e.g. high closing) that are within the ability of the Participant to monitor. Carrying brokers must recognize that as

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		Participants they have obligations under UMIR (and that the introducing broker may not be subject to UMIR unless the introducing broker is a member of an exchange, user of a QTRS or subscriber to an ATS.)
	RBCI – Suggested that amendments apply only to those trades entered by an individual with the intention to mislead, as is the case with current UMIR 2.2(2). Concerned that delays from analysis of effect of trades on the market will disrupt and delay market. Concerned about requirement to review unexecuted orders, given existing operational limitations. Requires guidance on timeframes for implementation of regime and for reporting incidents of manipulative activity.	
	TD – Draft provides better clarity/consistency regarding gatekeeper obligations than current framework, but does not apply reasonable standard where a single questionable transaction is detected.	A single transaction would not trigger any of the provisions unless the Participant knew or ought reasonably to have known that the transaction would not be in compliance with various securities requirements including UMIR.
	WPI – Concerned that proposals go beyond those of regulators in other countries and may encourage Canadian broker dealers to shop their orders to US markets.	(See response to the general comment of GMP above.)
Public Meetings	**BMO, Canaccord, CIBC, E*Trade, GMP, ML, RJ, Scotia, TD, WPI –** Suggest public meetings with Participants to review the proposal.	The proposals as revised are being republished for comment and RS is arranging for a public forum to discuss continuing concerns from the industry.

13.1.3 IDA By-law 40 Individual Approvals, Notifications and Related Fees and National Registration Database

THE INVESTMENT DEALERS ASSOCIATION OF CANADA

BY-LAW 40

INDIVIDUAL APPROVALS, NOTIFICATIONS AND RELATED FEES AND NATIONAL REGISTRATION DATABASE

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada ("Association") hereby passes and enacts the following by-law:

By-law 40

40.1 Definitions

For the purposes of this By-law 40,

(1) "authorized firm representative" or "AFR" means, for a Member, an individual with his or her own NRD user ID and who is authorized by the Member to submit information in NRD format for that Member and individual applicants with respect to whom the Member is the sponsoring Member.

(2) "chief AFR" means, for a Member filer, an individual who is an AFR and has accepted an appointment as a chief AFR by the Member.

(3) Form 33-109F1 means the form for the submission through NRD of a Notice of Termination of an individual mandated by NRD Multilateral Instrument 33-109.

(4) Form 33-109F2 means the form for the submission through NRD of an application for change or surrender of categories of registration mandated by NRD Multilateral Instrument 33-109.

(5) Form 33-109F3 means the form for the submission through NRD of information regarding business locations of registered dealers mandated by NRD Multilateral Instrument 33-109.

(6) Form 33-109F4 means the form for submission through NRD of applications for individual registration and information on non-registered individuals mandated by NRD Multilateral Instrument 33-109.

(7) Form 33-109F5 means the paper form of a notification of a change in information regarding an individual registrant or Member mandated by NRD Multilateral Instrument 33-109.

(8) "National Registration Database" or "NRD" means the online electronic database of registration and approval information regarding Members, their registered or approved partners, officers, directors, employees or agents and other firms and individuals registered under securities legislation in Canada other than the Province of Quebec, and includes the computer system providing for the transmission, receipt, review and dissemination of that registration information by electronic means.

(9) "NRD account" means an account with a member of the Canadian Payments Association from which fees may be paid with respect to NRD by electronic pre-authorized debit.

(10) "NRD access date" means the date a Member receives notice that it has access to NRD to make NRD submissions.

(11) NRD Administrator" means CDS INC. or a successor appointed by the Canadian securities regulatory authorities and the Association to operate NRD.

(12) "NRD format" means the electronic format for submitting information through the NRD website.

(13) "NRD Multilateral Instrument 31-102" means Multilateral Instrument 31-102 National Registration Database adopted by the Canadian securities regulatory authorities except the Autorité des Marchés Financiers.

(14) "NRD Multilateral Instrument 33-109" means Multilateral Instrument 33-109 Registration Information adopted by the Canadian securities regulatory authorities except the Autorité des Marchés Financiers.

(15) "NRD submission" means information that is submitted under this By-law 40 in NRD format, or the act of submitting information under this By-law 40 in NRD format, as the context requires.

(16) "NRD website" means the website operated by the NRD Administrator for the NRD submissions.

(17) "transition Member" means a Member that

(a) was a Member on February 3, 2003, or

(b) was not a Member on February 3, 2003 and applied for Membership before March 31, 2003.

40.2 Obligations of Members regarding the National Registration Database

(1) Each Member shall

(a) enrol in NRD and pay to the NRD Administrator an enrolment fee

calculated as prescribed by the Board of Directors;

(b) have one and no more than one chief AFR enrolled with the NRD Administrator;

(c) maintain one and no more than one NRD account;

(d) notify the NRD Administrator of the appointment of a chief AFR within 5 business days of the appointment;

(e) notify the NRD Administrator of any change in the name of the firm's chief AFR within 5 business days of the change; and

(f) submit any change in the name of an AFR, other than the firm's chief AFR, in NRD format within 5 business days of the change.

(2) Subsection 1 does not apply to a Member registered solely under the securities legislation of the Province of Quebec and having no Approved Persons registered under any Canadian securities legislation other than that of the Province of Quebec.

40.3 Approvals and Notifications

(1) Each Member making an application for approval of an individual in any capacity required under any By-law, Regulation or Policy of the Association shall make such application to the Association through the NRD on Form 33-109F4.

(2) Subsection (1) does not apply to an application for Approval in the Province of Quebec.

(3) Each Member making an application for approval in the Province of Quebec of any individual in any capacity required under any By-law, Regulation or Policy of the Association shall make such application to the Association in paper form on Association Form 1-U-2000 or Form 33-109F4.

(4) Each Member shall notify the Association of the appointment of an Ultimate Designated Person pursuant to By-law 38.1, a Chief Compliance Officer pursuant to By-law 38.3 or a Chief Financial Officer pursuant to By-law 7.5(a) through the NRD on Form 33-109F4.

(5) Subsection (4) does not apply to a notification by a Member having its head office in the Province of Quebec, which shall be made to the Association in paper form on Association Form 1-U-2000 or Form 33-109F4.

(6) Each Member making an application under subsection (1) or (3) shall be liable for and pay such fees as are prescribed from time to time by the Board of Directors, including but not limited to application fees payable to the NRD Administrator for use of the NRD for the making of such an application.

(7) Any fees payable to the Association or to the NRD Administrator pursuant to subsection (6) above shall be submitted by electronic pre-authorized debit through NRD.

(8) Subsection (7) does not apply to fee payable for an application for Approval in the Province of Quebec.

40.4 Application for Change of Approval Category

(1) Each Member making an application for approval of any Approved Person in a different or additional capacity requiring approval under any By-law, Regulation or Policy of the Association or to surrender an existing approval shall make such application to the Association through the NRD on Form 33-109F2.

(2) Each Member making an application under subsection (1) shall be liable for and pay such change of status fees as are prescribed from time to time by the Board of Directors, including but not limited to application fees payable to the NRD Administrator for use of the NRD for the making of such an application.

(3) Any fees payable to the Association or the NRD Administrator pursuant to subsection (2) above shall be submitted by electronic pre-authorized debit through NRD.

(4) Subsection 40.4(1) does not apply to an application for an Approved Person for a change of approval category in the Province of Quebec, which shall be made in paper form on the Association Application for Transfer or Change of Status Form or on Form 33-109F2.

(5) Each Member making an application under subsection (4) shall be liable for and pay such change of status fees as are prescribed from time to time by the Board of Directors.

40.5 Report of Changes pursuant to Policy 8

(1) Each Member making a report of a change regarding an Approved Person required pursuant to section B.1(a) of Policy 8 of the Association shall make the report through the NRD on Form 33-109F4 in the time required pursuant to NRD Multilateral Instrument 33-109.

(2) Subsection (1) does not apply to a report regarding an individual approved in the of the

Province of Quebec, which shall be made in writing to the Association on form 33 109F4 in the time required pursuant to NRD Multilateral Instrument 33-109.

40.6 Exemption request

(1) Each Member making an application for an exemption of an Approved Person or applicant for approval from a proficiency requirement pursuant to the Association's Policy 6 that is submitted with an application for approval made through the NRD shall make such application to the Association through the NRD.

(2) Each Member making an application under subsection (1) above shall be liable for and pay to the Association an exemption request fee as prescribed from time to time by the Board of Directors.

(3) Any fees payable to the Association and to the NRD Administrator pursuant to subsection (2) above shall be submitted by electronic pre-authorized debit through NRD.

40.7 Termination of Approved Persons

(1) Each Member shall notify the Association of the termination of the Member's employment of or principal/agent relationship with any individual approved in any capacity under any By-law, Regulation or Policy of the Association through the NRD on Form 33-109F1 within the time period prescribed in NRD Multilateral Instrument 33-109 for a registered firm, as defined in NRD Multilateral Instrument 33-109, to notify the regulator of the same type of event.

(2) Each Member shall be liable for and pay to the Association fees in the amounts prescribed from time to time by the Board of Directors for the failure of the Member to file a notification required under subsection (1) above within the time period referred to in subsection (1).

(3) Any fees payable to the Association pursuant to subsection (2) above shall be submitted by electronic pre-authorized debit through NRD.

(4) Subsection (1) and (3) do not apply to a notification of termination of employment or a principal/agent relationship to an individual approved in the Province of Quebec, which shall be made in paper form on the Association's Uniform Termination Notice Form or Form 33-109F1 within the time period referred to in subsection (1).

(5) Each Member shall be liable for and pay to the Association fees in the amounts prescribed from time to time by the Board of Directors for the failure of the Member to file a notification required under subsection (4) above within the time period referred to in subsection (4).

40.8 Notification of Opening or Closing of Branch or Sub-branch Office

(1) Each Member required to notify the Association of the opening or closing of a branch pursuant to By-law 4.6 or sub-branch office pursuant to By-law 4.7 shall do so through the NRD on Form 33-109F3 within the time period prescribed in NRD Multilateral Instrument 33-109 for a registered firm, as defined in NRD Multilateral Instrument 33-109, to notify the regulator of the opening or closing, as applicable, of a business location.

(2) Each Member shall notify the Association through the NRD of any change in the address, type of location or supervision of any branch or sub-branch office within the time period prescribed in NRD Multilateral Instrument 33-109 for a registered firm, as defined in Multilateral Instrument 33-109, to notify the regulator of a change in a business location.

(3) Subsections (1) and (2) do not apply to a branch or sub-branch office in the Province of Quebec.

(4) Each Member required to notify the Association of the opening or closing of a branch or sub-branch office in the Province of Quebec shall do so in writing within the time period referred to in subsection (1) and shall also notify the Association in writing of the Approved Persons to be located in such branch or sub-branch within the time period prescribed in NRD Multilateral Instrument 33-109 for a registered firm, as defined in NRD Multilateral Instrument 33-109, to notify the regulator of a similar type of event.

(5) Each Member shall notify the Association in writing of any change in the address, type of location or supervision of any branch or sub-branch office located in the Province of Quebec within the time period referred to in subsection (2).

40.9 Annual NRD User Fee

(1) Each Member shall be liable for and pay to the NRD Administrator an annual user fee as prescribed from time to time by the Board of Directors for each person approved in any capacity under any By-law, Regulation or Policy of the Association and recorded as such on the NRD as of the date of calculation of such annual fee as prescribed by the Board of Directors.

(2) Any fees payable to the NRD Administrator pursuant to subsections (1) above shall be submitted by electronic pre-authorized debit through NRD.

40.10 Transition

(1) **Accuracy of Branch or Sub-branch Information** - If the information recorded on NRD for a branch or sub-branch office of a transition Member is missing or inaccurate on the NRD access date, the transition Member must submit a completed Form 33-109F3 in NRD format in respect of that branch or sub-branch by August 31, 2004.

(2) **Identification of Branch or Sub-branch of Approved Persons -** Each Member must make submissions through the NRD identifying the branch or sub-branch location of all Approved Persons of the Member by August 31, 2004.

(3) **Approved Persons Included in the Data Transfer**

(a) Except as provided in subsection (b), in respect of Approved Persons who were recorded on NRD as Approved Persons of a transition Member on the NRD access date, the transition Member must submit completed Forms 33-109F4 in NRD format for

(i) 5 percent of those Approved Persons by the end of April 2004,

(ii) 10 percent of those Approved Persons by the end of May 2004,

(iii) 15 percent of those Approved Persons by the end of June 2004,

(iv) 20 percent of those Approved Persons by the end of July 2004,

(v) 25 percent of those Approved Persons by the end of August 2004,

(vi) 30 percent of those Approved Persons by the end of September 2004,

(vii) 35 percent of those Approved Persons by the end of October 2004,

(viii) 40 percent of those Approved Persons by the end of November 2004,

(ix) 45 percent of those Approved Persons by the end of December 2004,

(x) 50 percent of those Approved Persons by the end of March 2005,

(xi) 55 percent of those Approved Persons by the end of April 2005,

(xii) 60 percent of those Approved Persons by the end of May 2005,

(xiii) 65 percent of those Approved Persons by the end of June 2005,

(xiv) 70 percent of those Approved Persons by the end of July 2005,

(xv) 75 percent of those Approved Persons by the end of August 2005,

(xvi) 80 percent of those Approved Persons by the end of September 2005,

(xvii) 85 percent of those Approved Persons by the end of October 2005,

(xviii) 90 percent of those Approved Persons by the end of November 2005,

(xix) 95 percent of those Approved Persons by the end of December 2005, and

(xx) all of those Approved Persons by the end of March 2006.

(b) Despite subsection (a), a transition Member is not required to submit a completed Form 33-109F4 in respect of an Approved Person if another Member or a non-Member firm registered under securities legislation has submitted a completed Form 33-109F4 in respect of the Approved Person.

(4) **Reporting Changes to Information regarding Approved Persons**

A transition Member making a report of a change regarding an Approved Person required pursuant to section B.1(a) of Policy 8 after the NRD access date for an Approved Person for whom a completed Form 33-109F4 in NRD format has not been submitted pursuant to subsection 40.10(3)(a) shall:

(a) submit within 5 days of the change a completed Form 33-109F5 in paper format showing the change, and

(b) if the notification concerns any change with regard to:

Item 1 of Form 33-109F4 – Name

Item 2 of Form 33-109F4 – Residential Address where the change is a move out of province

Item 14 of Form 33-109F4 – Criminal Disclosure

Item 15 of Form 33-109F4 – Civil Disclosure, or

Item 16 of Form 33-109F4 – Financial Disclosure

submit within 15 days of the submission of the completed Form 33-109F5 a completed Form 33-109F4 in NRD format regarding the Approved Person.

(5) **Currency of Form 33-109F4** - For greater certainty, a completed Form 33-109F4 that is submitted under this Part must be current on the date that it is submitted despite any prior submission in paper format.

(6) **Termination of Relationship** - Despite a requirement under this Part to submit a completed Form 33-109F4, a transition Member is not required to submit a Form 33-109F4 in respect of an Approved Person if the Member has submitted a completed Uniform Termination Notice or Form 33-109F1 in respect of the Approved Person in paper format before the Members's NRD access date or through the filing of a Form 33-109F1 through the NRD after the Member's NRD access date.

40.11 Temporary Hardship Exemption

(1) If unanticipated technical difficulties prevent a Member from making a submission in NRD format within the time required under this By-law 40, the Member is exempt from the requirement to make the submission within the required time period, if the Member makes the submission in paper format or NRD format no later than 5 business days after the day on which the information was required to be submitted.

(2) Form 33-109F5 is the paper format for submitting a notice of a change to Form 33-109F4 information.

(3) If unanticipated technical difficulties prevent a Member from submitting an application in NRD format, the Member may submit the application in paper format.

(4) If Member makes a paper format submission under this section, the Member must include the following legend in capital letters at the top of the first page of the submission:

IN ACCORDANCE WITH IDA BY-LAW 40.11 AND SECTION 5.1 OF MULTILATERAL INSTRUMENT 31-102 NATIONAL REGISTRATION DATABASE (NRD), THIS [SPECIFY DOCUMENT] IS BEING SUBMITTED IN PAPER FORMAT UNDER A TEMPORARY HARDSHIP EXEMPTION.

(5) If Member makes a paper format submission under this section, the Member must resubmit the information in NRD format as soon as practicable and in any event within 10 business days after the unanticipated technical difficulties have been resolved.

40.12 Due Diligence and Record Keeping

(1) Each Member must make reasonable efforts to ensure that information submitted in any submission through the NRD is true and complete.

(2) Each Member must retain all documents used by the Member to satisfy its obligation under subsection (1) for a period of 7 years after the individual ceases to be an Approved Person of the Member.

(3) A Member that retains a document under subsection (2) or (3) in respect of an NRD submission must record the NRD submission number on the document.

PASSED AND ENACTED by the Board of Directors this 22nd day of January 2003, to be effective on a date to be determined by Association staff.

INVESTMENT DEALERS ASSOCIATION OF CANADA

AMENDMENTS TO BY-LAWS 4, 7, 18, REGULATIONS 1800 AND 1900

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada ("Association") hereby amends the following By-laws and Regulations of the Association to reflect the application reporting requirements through the National Registration Database (NRD), pursuant to By-law 40:

1. **By-law 4 – Branch Managers, Branch Offices and Sub-Branch Offices**

By-law 4.5A is repealed

~~4.5A. No Member shall establish or maintain an office other than its principal office without having obtained the prior approval of the Association.~~

By-law 4.6 repealed and replaced as follows:

~~4.6. Each Member shall appoint a branch manager to be in charge of each of its branch offices and, where necessary to ensure continuous supervision of the branch office, a Member may appoint one or more assistant or co-branch managers who shall have the authority of a branch manager in the absence or incapacity of the branch manager. A Member shall notify the Association in writing its intention to establish a branch office. and such notice shall set out the address of the branch office, the name of the proposed approved branch manager or assistant branch manager and shall state whether or not such manager or assistant has received the approval required by By-law 4.9. A branch manager shall be normally present at the branch of which he or she is in charge. A Member shall also notify the Association in writing of its intention to close a branch office.~~

4.6 Each Member shall appoint a branch manager to be in charge of each of its branch offices and, where necessary to ensure continuous supervision of the branch office, a Member may appoint one or more assistant or co-branch managers who shall have the authority of a branch manager in the absence or incapacity of the branch manager. A Member shall notify the Association as required in accordance with By-law 40, of the opening and closure of a branch office. A branch manager shall be normally present at the branch of which he or she is in charge.

By-law 4.7 is repealed and replaced as follows:

~~4.7. A Member having a sub-branch office shall designate as the supervisor of such office, a branch manager, or a director, partner or officer who is not normally present at such office. The business of such office, including the entry of orders, shall be conducted through the head office of such the Member or through the branch office designated as having supervisory responsibility for such sub-branch office. A Member shall notify the Association in writing of its intention to establish a sub-branch office and such notice shall set out the address of the sub-branch office and the name of the proposed supervisor of the sub-branch office. A Member shall also in writing of its intention to close a sub-branch office.~~

4.7 A Member having a sub-branch office shall designate as the supervisor of such office, a branch manager, or a director, partner or officer who is not normally present at such office. The business of the sub-branch office, including the entry of orders, shall be conducted through the head office of the Member or through the branch office designated as having supervisory responsibility for the sub-branch office. A Member shall notify the Association of the opening and closure of a sub-branch office in accordance with By-law 40.

By-law 4.8 is repealed

~~4.8 With the prior approval of the Association, a registered representative may carry on business from his or her residence and may advertise the address and telephone number of the residence. Such residence shall constitute a sub-branch office of the Member.~~

By-law 4.10 is repealed

~~4.10. Application for approval as, or transfer of, a sales manager, branch manager, assistant or co-branch manager shall be made to the Association in the Board of Directors and the applicant shall be required to pay such fees as the Board of Directors may from time to time direct.~~

By-law 4.11 is repealed

~~4.11. The Association shall promptly notify the applicant and the Member of the approval by it of an application for approval of a branch manager, assistant or co-branch manager, or sales manager.~~

By-law 4.12 is repealed and replaced as follows:

~~4.12. The form of application for approval as, or transfer of, a branch manager, assistant or co-branch manager or sales manager shall contain an agreement by the proposed branch manager, assistant or co-branch manager or sales manager that he or she is conversant with the By-laws, Regulations, Rulings and Policies of the Association, that he or she submits to the jurisdiction of the Association, that if approval is granted, he or she will comply with such By-laws, Regulations, Rulings and Policies as the same are from time to time amended or supplemented and that if such approval is subsequently revoked he or she will forthwith terminate his or her employment as a branch manager, assistant or co-branch manager or sales manager with the Member with whom he or she is employed at the time of such revocation. Every person whose application for approval as a branch manager, assistant or co-branch manager or sales manager has been approved shall be subject to the jurisdiction of the Association, shall comply with the By-laws, Regulations, Rulings and Policies of the Association as the same are from time to time amended or supplemented and, if such approval is subsequently revoked, shall forthwith terminate his or her employment as a branch manager, assistant or co-branch manager or sales manager with the Member with whom he or she is employed at the ~~time of such revocation. ~~A branch manager, assistant or co-branch manager or sales manager and the Member in respect of which any of them is approved shall notify the Registration Department of the Association (i) within ten days of the event any, change in the information submitted on or with the form of application for approval including, without limitation, any required information with respect to criminal or bankruptcy proceedings pertaining to the branch manager, assistant or co-branch manager or sales manager, and (ii) within five business days of termination of his or her employment as a branch manager, assistant or co-branch manager or sales manager with the Member.~~

4.12 Every person whose application for approval as a branch manager, assistant or co-branch manager or sales manager has been approved shall be subject to the jurisdiction of the Association, shall comply with the By-laws, Regulations, Rulings and Policies of the Association as the same are from time to time amended or supplemented and, if such approval is subsequently revoked, shall forthwith terminate his or her employment as a branch manager, assistant or co-branch manager or sales manager with the Member with whom he or she is employed at the time of such revocation.

By-law 4.14 is repealed and replaced as follows:

~~4.14 Each Member shall be liable for and pay to the Association fees in the amounts prescribed from time to time by the Board of Directors for~~

~~a) the failure of the Member to file a report in writing of the termination of employment of a branch manager, assistant or co-branch manager or sales manager of the Member within the time prescribed by this By-law 4, and~~

~~(b) the failure of the Member to file within ten business days of the end of each month, a report in writing with respect to the conditions imposed on approval or continued approval of a branch manager, assistant or co-branch manager or sales manager of the Member pursuant to By-law 20.~~

4.14 Each Member shall be liable and pay to the Association fees in the amounts prescribed from time to time by the Board of Directors for the failure of the Member to file within ten business days of the end of each month, a report with respect to the conditions imposed on approval or continued approval of a branch manager, assistant or co-branch manager or sales manager of the Member pursuant to By-law 20.

2. By-Law 7 – Partners, Directors and Senior Officers

By-law 7.2 is repealed

~~7.2 A An application for approval as, or transfer of, a Partner, Director or Officer shall be made to the Registration Department of the Association in such form as the Board of Directors may from time to time prescribe [and giving such other information as the as may be required.]~~

~~(1) The applicant may be required to pay such fees as the Board of Directors may from time to time direct.~~

By-law 7.4 is repealed and replaced as follows:

~~7.4 The form of application for approval as, or transfer of, a partner, director or officer shall contain an agreement by the proposed partner, director or officer, as the case may be, that he or she is conversant with the By-laws and Regulations of the Association, that he or she submits to the jurisdiction of the Association, that if approval is granted he or she will comply with such By-laws and Regulations as the same are from time to time amended or supplemented and that if such approval is subsequently revoked, he or she will forthwith terminate his or her relationship as a partner, director or officer with the Member in respect of which he or she is approved at the time of such revocation. Every person whose application for approval as a partner, director or officer of a Member has been accepted shall be subject to the jurisdiction of the Association, shall comply with the By-laws, Regulations, Rulings and Policies of the Association as the same are from time to time amended or supplemented and, if such approval is subsequently revoked shall forthwith terminate his or her relationship as a partner, director or officer with the Member in respect of which he or she is approved at the time of such revocation. A partner, director or officer and the Member in respect of which any of them is approved shall report in writing to the Registration Department of the Association (i) within ten days of the event any change in the information submitted on or with the form of application for approval including, without limitation, any required information with respect to criminal or bankruptcy proceedings pertaining to the partner, director or officer and (ii) within five business days of termination of his or her employment as a partner, director or officer with the Member.~~

7.4 Every person whose application for approval as a partner, director or officer of a Member has been accepted shall be subject to the jurisdiction of the Association, shall comply with the By-laws, Regulations, Rulings and Policies of the Association as the same are from time to time amended or supplemented and, if such approval is subsequently revoked shall forthwith terminate his or her relationship as a partner, director or officer with the Member in respect of which he or she is approved at the time of such revocation.

By-law 7.6 is repealed and replaced as follows:

~~7.6 A Member shall be liable and pay to the Association fees in the amounts prescribed from time to time by the Board of Directors for~~

~~(a) the failure of the Member to file a report in writing of the termination of employment of a partner, director or officer within the time prescribed under this By-law 7; and~~

~~(b) the failure of the Member to file within ten business days of the end of each month a report in writing with respect to the conditions imposed on approval or continued approval of a partner, director or officer of the Member pursuant to By-law 20.~~

7.6 A Member shall be liable and pay to the Association fees in the amounts prescribed from time to time by the Board of Directors for the failure of the Member to file within ten business days of the end of each month a report with respect to the conditions imposed on approval or continued approval of a partner, director or officer of the Member pursuant to By-law 20.

3. By-law 18 – Registered Representatives and Investment Representatives

By-law 18.3 is repealed and replaced as follows:

18.3. ~~An application for:~~

~~(a) approval as, or transfer of, a registered representative or investment representative shall be made to the Association in such form as the Board of Directors may from time to time prescribe; and~~

~~(b) Approval as a registered representative or investment representative may be granted where the applicant has satisfied the applicable proficiency requirements outlined in Part I of Policy No. 6.~~

18.3 Approval as a registered representative or investment representative may be granted where the applicant has satisfied the applicable proficiency requirements outlined in Part I of Policy No. 6.

By-law 18.10 is repealed

~~18.10 Each application submitted to the Association for approval for transfer shall be accompanied by a fee specified by the Board of Directors. Such fee may be determined by the Board of Directors from time to time in such manner as they may in their discretion consider appropriate and may, without limitation, vary in application to any Members, or applicants or classes of such Members and applicants and according to arrangements with any securities commission.~~

~~Such fees shall be in addition to any charges payable by the Members or their applicants for approval for writing of examinations or taking of courses. No such fee shall be refunded, whether or not the application is accepted.~~

By-law 18.11 is repealed and replaced as follows:

~~18.11 The form of application for approval or transfer shall contain an agreement by the proposed registered representative or investment representative, as the case may be, that he or she is conversant with the By-laws and Regulations of the Association, that he or she submits to the jurisdiction of the Association, that if approval is granted he or she will comply with such By-laws and Regulations, as the same are from time to time amended or supplemented and that if such approval is subsequently revoked he or she will forthwith terminate his or her employment as a registered representative or investment representative with the Member with whom he or she is employed at the time of such revocation. Every person whose application for approval as a registered representative or investment representative of a Member has been accepted and every person whose transfer of registration has been approved shall be subject to the jurisdiction of the Association, shall comply with the By-laws, Regulations, Rulings and Policies of the Association as the same are from time to time amended or supplemented and, if such approval is subsequently revoked, shall forthwith terminate his or her employment as a registered representative or investment representative with the Member with whom he or she is employed at the time of such revocation. A registered representative or investment representative and the Member in respect of which he or she is approved shall report in writing to the Association~~

~~(a) Within ten days of the event any change in the information submitted on or with the form of application for approval including, without limitation, any required information with respect to criminal or bankruptcy proceedings pertaining to the registered representative or investment representative; and~~

~~(b) Within five business days of termination of his or her employment as a registered representative or investment representative with the Member.~~

18.11 Every person whose application for approval as a registered representative or investment representative of a Member has been accepted shall be subject to the jurisdiction of the Association, shall comply with the By-laws, Regulations, Rulings and Policies of the Association as the same are from time to time amended or supplemented and, if such approval is subsequently revoked, shall forthwith terminate his or her employment as a registered representative or investment representative with the Member with whom he or she is employed at the time of such revocation.

By-law 18.12 is repealed

~~18.12. The Association shall promptly notify the applicant and the Member of he approval by the Association of an application for approval as a registered representative or investment representative.~~

By-law 18.18 is repealed and replaced as follows:

~~18.18. Each Member shall be liable for and pay to the Association fees in the amounts prescribed from time to time by the Board of Directors for~~

~~(a) the failure of the Member to file a report in writing of the termination of employment of a registered representative, restricted registered representative, investment representative or restricted investment representative of the Member with the time prescribed by this By-law 18; and~~

~~(b) the failure of the Member to file within ten business days of the end of each month a report in writing with respect to the~~

~~conditions imposed on approval or continued approval of a registered representative, restricted registered representative, investment representative or restricted investment representative of the Member pursuant to By-law 20.~~

18.18 Each Member shall be liable for and pay to the Association fees in the amounts prescribed from time to time by the Board of Directors for the failure of the Member to file within ten business days of the end of each month a report with respect to the conditions imposed on approval or continued approval of a registered representative, restricted registered representative, investment representative or restricted investment representative of the Member pursuant to By-law 20.

4. Regulation 1800 – Commodities Futures Contracts and Options

Regulation 1800.3 is repealed and replaced as follows:

~~1800.3.~~

~~(1) Application for approval as a futures contract principal or alternate, a futures contract options principal or alternate, or a person who deals with clients with respect to futures contracts or futures contract options shall be made to the Association in such form as the Board of Directors may from time to time prescribe~~.

~~(2) The Association may grant approval to any such applicant who has satisfied the applicable proficiency requirements outlined in Part 1 of Policy No. 6.~~

~~(3) A futures contract principal or alternate, a futures contract options principal or alternate or a person who deals with clients with respect to futures contracts or futures contract options and the Member in respect of which any of them is approved shall report in writing to the Association, within ten days of the event any change in the information submitted pursuant to the application for approval including, without limitation, any required information with respect to criminal or bankruptcy proceedings pertaining to such person.~~

1800.3 The Association may grant approval as a futures contract principal or alternate, a futures contract options principal or alternate, or a person who deals with clients with respect to futures contracts or futures contract options, to any applicant who has satisfied the applicable proficiency requirements outlined in Part 1 of Policy No. 6.

5. Regulation 1900 – Options

Regulation 1900.3 is repealed and replaced as follows:

~~1900.3.~~

~~(1) Application as a registered options principal, alternate, or a person trading or advising in respect of options, shall be made to the Association in such form as the Board of Directors may from time to time prescribe.~~

~~(2) The Association may grant approval to any such applicant who has satisfied he applicable proficiency requirements outlined in Part 1 of Policy No. 6.~~

1900.3 The Association may grant approval as a registered options principal, alternate, or a person trading or advising in respect of options, to any applicant who has satisfied he applicable proficiency requirements outlined in Part 1 of Policy No. 6.

6. Policy No. 8 – Reporting and Recordkeeping Requirements

Policy 8, Section I.B.1(a) is repealed and replaced as follows:

~~(a) whenever there is any change to the information contained in the Uniform Application for Registration/Approval (or any form replacing the Uniform Application for Registration/ Approval) of any registrant;~~

(a) whenever there is any change to the information contained in the Uniform Application for Registration/Approval or Form 33-109F4 under By-law 40 of any registrant;

PASSED AND ENACTED by the Board of Directors this 22nd day of January 2003, to be effective on a date to be determined by Association staff.

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