The Ontario Securities Commission

OSC Bulletin

August 20, 2004

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The Ontario Securities Commission Administers the
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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Chapter 1

Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

AUGUST 20, 2004

CURRENT PROCEEDINGS

BEFORE

ONTARIO SECURITIES COMMISSION

- -

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

Telephone: 416-597-0681 Telecopier: 416-593-8348

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- -

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Susan Wolburgh Jenah, Vice-Chair	—	SWJ
Paul K. Bates	—	PKB
Robert W. Davis, FCA	—	RWD
Harold P. Hands	—	HPH
Mary Theresa McLeod	—	MTM
H. Lorne Morphy, Q.C.	—	HLM
Robert L. Shirriff, Q.C.	—	RLS
Suresh Thakrar	—	ST
Wendell S. Wigle, Q. C.	—	WSW

SCHEDULED OSC HEARINGS

August 24, 2004 (on or about)	**Brian Anderson and Flat Electronic Data Interchange ("F.E.D.I.")**
10:00 a.m.	s. 127
	K. Daniels in attendance for Staff
	Panel: HLM/RLS
September 20-22, 2004	**Brian Peter Verbeek** and Lloyd Hutchison Ebenezer Bruce
10:00 a.m.	s. 127
	K. Manarin in attendance for Staff
	Panel: TBD
September 29, 2004	**Cornwall *et al***
	s. 127
10:00 a.m.	K. Manarin in attendance for Staff
September 30, 2004 and October 1, 2004	Panel: HLM/RWD/ST
2:00 p.m.	
October 4, 5, 13-15, 2004	
10:00 a.m.	
October 18 to 22, 2004	**ATI Technologies Inc., Kwok Yuen Ho, Betty Ho, JoAnne Chang, David Stone, Mary de La Torre, Alan Rae and Sally Daub**
November 2, 3, 5, 8, 10-12, 15, 17, 19, 2004	s. 127
10:00 a.m.	M. Britton in attendance for Staff
	Panel: SWJ/HLM/MTM
October 31, 2004 (on or about)	**Mark E. Valentine**
	s. 127
10:00 a.m.	A. Clark in attendance for Staff
	Panel: TBD

November 24-25, 2004	Brian Peter Verbeek and **Lloyd Hutchison Ebenezer Bruce**
10:00 a.m.	s. 127
	K. Manarin in attendance for Staff
	Panel: TBD
November 26, 2004	**Andrew Currah, Colin Halanen, Joseph Damm, Nicholas Weir, Penny Currah and Warren Hawkins**
10:00 a.m.	s. 127
	J. Waechter in attendance for Staff
	Panel: TBA
January 24 to March 4, 2005, except Tuesdays and April 11 to May 13, 2005, except Tuesdays	**Philip Services Corp. *et al***
	s. 127
	K. Manarin in attendance for Staff
	Panel: PMM/RWD/ST
10:00 a.m.	
May 30, June 1, 2, 3, 6, 7, 8, 9 and 10, 2005	**Buckingham Securities Corporation, David Bromberg*, Norman Frydrych, Lloyd Bruce and Miller Bernstein & Partners LLP (formerly known as Miller Bernstein & Partners)**
10:00 a.m.	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 Notice of Commission Approval – IDA Amendments to Margin Requirements for Long Options - Regulations 100.9 and 100.10

THE INVESTMENT DEALERS ASSOCIATION OF CANADA (IDA)

PROPOSED AMENDMENTS TO MARGIN REQUIREMENTS FOR LONG OPTIONS – REGULATIONS 100.9 AND 100.10

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission approved amendments to IDA Regulations 100.9 and 100.10 regarding margin requirements for long options. In addition, the Alberta Securities Commission approved and the British Columbia Securities Commission did not object to the amendments. The purpose of the amendment is to permit the same margin treatment of Member firm account and client account positions in long options and to give regulatory value to any time value portion of the long option's market value when the option expiry is nine or more months away. A copy and description of the proposed amendments were published on June 25, 2004, at (2004) 27 OSCB 6108. No comments were received.

1.1.3 Notice of Commission Approval – Housekeeping Amendment to MFDA Rule 3.4.4 Regarding Early Warning Duration

THE MUTUAL FUND DEALERS ASSOCIATION (MFDA)

AMENDMENT TO MFDA RULE 3.4.4 REGARDING EARLY WARNING DURATION

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission approved the amendment to MFDA Rule 3.4.4 regarding Early Warning Duration. In addition, the Nova Scotia Securities Commission and Saskatchewan Financial Services Commission approved, and the British Columbia Securities Commission did not object to the amendment. The amendment allows MFDA staff to exercise discretion in removing a Member from early warning without waiting until the next month's filing of the monthly financial report, provided there is appropriate evidence or assurance to demonstrate that the issue has been resolved. The amendment is housekeeping in nature. The description and a copy of the amendment is contained in Chapter 13 of this Ontario Securities Commission Bulletin.

1.1.4 OSC Staff Notice 11-736 North American Securities Administrators Association (NASAA) Seeks Public Comment on Proposal to Extend the Model Secondary Market Trading Exemption for Qualifying Canadian Securities to TSX Venture Exchange

OSC STAFF NOTICE 11-736

NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION (NASAA) SEEKS PUBLIC COMMENT ON PROPOSAL TO EXTEND THE MODEL SECONDARY MARKET TRADING EXEMPTION FOR QUALIFYING CANADIAN SECURITIES TO TSX VENTURE EXCHANGE

On August 17, 2004, the NASAA Trading and Exchanges Project Group issued a Notice of Release for Public Comment and accompanying Report in which it recommends that the existing NASAA Model Secondary Market Trading Exemption for Qualifying Canadian Securities (NASAA Model Exemption)[1] be expanded to include TSX Venture Exchange. Currently, the NASAA Model Exemption provides secondary market trading exemption status only for securities listed on the Toronto Stock Exchange (TSX). The Project Group's Report discusses the regulatory and investor protection bases for expanding the NASAA Model Exemption.

Copies of the Project Group's Notice of Release for Public Comment and accompanying Report are have been posted on NASAA's website at www.nasaa.org and on the Ontario Securities Commission's website at www.osc.gov.on.ca (International Affairs – Current Consultations). The Report also includes three annexes, which reproduce TSX Venture's Listing Application, Listing Agreement and listing criteria. These annexes can be accessed through hyperlinks in the on-line version of the Report published on NASAA's website and the Commission's website.

The comment period will remain open for 30 days (until September 16, 2004). The NASAA Board requests that comments be submitted to the NASAA Corporate Office (Attention: Legal Department) and each of the persons listed in the Notice of Release. Contact details for NASAA and these persons are included in the Notice of Release. Furthermore, the NASAA Board requests that persons who intend to submit their comments during the final 10 days of the comment period alert the Project Group Chair (listed in the Notice of Release) and NASAA Legal Department of that fact prior to September 1, 2004.

[1] NASAA is a forum that brings together the securities regulators of the American states and Canadian provinces and territories. One of NASAA's objectives is to promote, where practicable, uniform securities legislation through, among other things, the development of uniform model statutes, rules, policies and forms.

The Commission is a member of NASAA. To learn more about NASAA, visit the Commission's website at www.osc.gov.on.ca (International Affairs – Who's Who – NASAA).

August 20, 2004.

1.3 News Releases

1.3.1 Check Registration Before You Invest, Warns the OSC

FOR IMMEDIATE RELEASE
August 12, 2004

CHECK REGISTRATION BEFORE YOU INVEST, WARNS THE OSC

TORONTO – The Ontario Securities Commission (OSC) is warning investors to check the registration status of any person or firm offering you investments or advice. The OSC has had recent complaints about unregistered sellers, and complaints about registered sellers who offer investments or advice that they're not registered to provide. Generally, anyone selling securities or offering investment advice in Ontario must be registered with the OSC. Before you invest, follow these steps:

1. Get information.

Note the full name of the person you are dealing with and the name of their firm, and ask for written information about the investment.

2. Check if they're registered.

You can do this online at www.osc.gov.on.ca, in the Registrants List, or call the OSC toll-free at 1-877-785-1555.

3. Check the registration category.

Firms and individuals are registered by category – each registration category has different education and experience requirements, and permits different activities. For example, a mutual fund dealer can sell and provide product advice on mutual funds, but they are not qualified to sell or provide advice on equities unless they hold further registrations. If they offer advice or a product that they're not registered for, don't invest money with them.

4. Verify the investment information with a reliable source.

Get a second opinion. If the investment is in a public company, you can check www.sedar.com to view the documents that public companies file with securities regulators.

In addition, be wary of salespeople who claim that they don't need to be registered in Ontario because they are based or registered in another province or country. If you are an investor living in Ontario, the person or company selling investment products or advice to you must be registered in Ontario to provide those services. The OSC is aware of investors being approached with unsolicited offers similar to the following example:

A salesperson offers a deal on commodities or other securities, and claims they don't need to register to trade securities in Ontario. The salesperson may use high-pressure sales tactics, and usually sends a marketing package in the mail as a follow-up.

To protect yourself, the best strategy is to arm yourself with information. Before you hand over your money, understand how the investment works, and if it's suitable for you. To ask questions or make a complaint, call the OSC Contact Centre at 1-877-785-1555. You can learn more about investment issues on-line at www.investorED.ca.

For Media Inquiries: Eric Pelletier
Manager, Media Relations
416-595-8913

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

1.3.2 OSC Charges Against Discovery Biotech Inc. to be Spoken to September 20, 2004

FOR IMMEDIATE RELEASE
August 18, 2004

OSC CHARGES AGAINST DISCOVERY BIOTECH INC.
TO BE SPOKEN TO SEPTEMBER 20, 2004

TORONTO – At an appearance today at Old City Hall (the Ontario Court of Justice), the proceeding commenced by the Ontario Securities Commission (OSC) against Discovery Biotech Inc. and three of its directors and officers was adjourned to September 20, 2004 at 9:00 a.m. in court room C, Old City Hall, to be spoken to at that time.

On June 2, 2004, the OSC charged Discovery Biotech Inc., Orest Lozynsky, Robert Vandenberg and Howard Rash with violations of the Ontario *Securities Act*. A copy of Appendix "A" to the information sworn in respect of the these charges is available on the OSC's website (**www.osc.gov.on.ca**), along with the related notice of hearing and the statement of allegations.

For Media Inquiries: Eric Pelletier
Manager, Media Relations
416-595-8913

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

Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Hartford Investments Canada Corp. - MRRS Decision

Headnote

Exemptive Relief from certain requirements of Section 8.2 of NI 81-105 to permit disclosure of "equity interests" on the basis that a member of a mutual fund organization is a reporting issuer whose shares are listed on a Canadian Stock Exchange.

Rules Cited

National Instrument 81-105 Mutual Fund Sales Practices.

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

AND

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

AND

IN THE MATTER OF
NATIONAL INSTRUMENT 81-105
MUTUAL FUND SALES PRACTICES
(the "NATIONAL INSTRUMENT")

AND

IN THE MATTER OF
THE HARTFORD CANADIAN VALUE FUND
THE HARTFORD GROWTH AND INCOME FUND
THE HARTFORD CANADIAN EQUITY INCOME FUND
(the "New Funds")

AND

IN THE MATTER OF
HARTFORD INVESTMENTS CANADA CORP.
(the "Manager")
AND ANY OTHER FUNDS MANAGED BY THE
MANAGER IN THE FUTURE

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of the provinces and territories of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador, Northwest Territories, Yukon and Nunavut (the "Jurisdictions") has received an application from the Manager, the New Funds, and any other funds managed by the Manager in the future for a decision pursuant to Section 9.1 of National Instrument 81-105 Mutual Fund Sales Practices (the "National Instrument") to permit equity interests in The Hartford Financial Services Group, Inc. ("HFSG") to be calculated and disclosed for the purposes of the National Instrument as if HFSG is a reporting issuer, the securities of which are listed on a Canadian stock exchange;

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 or in Québec Commission Notice 14-101;

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

1. A preliminary prospectus dated July 5, 2004 (the "Preliminary Prospectus") was filed with the Jurisdictions to qualify the units of the New Funds. The Principal Regulator for the Preliminary Prospectus is Ontario.

2. The Manager is an indirect, wholly-owned subsidiary of HFSG such that HFSG is considered to be a member of the organization of the New Funds for purposes of the National Instrument. The Manager is the proposed manager, principal adviser, trustee and promoter of each of the New Funds.

3. The Preliminary Prospectus was initially receipted on July 6, 2004. Upon the issuance of a final receipt for the Preliminary Prospectus, each New Fund will be a reporting issuer in the Jurisdictions and will be subject to the provisions of the National Instrument.

4. Section 8.2 of the National Instrument requires, among other things, that a mutual fund disclose in its prospectus or simplified prospectus the amount of any "equity interest" that either a member of the organization of the mutual fund has in a

participating dealer, or the "equity interest" that a participating dealer, its associates, any representatives of the participating dealer or any associates of the representative has in any member of the organization of the mutual fund.

5. The term "equity interest" is a defined term in the National Instrument and has a different meaning depending on whether the relevant member of the organization of a mutual fund is a reporting issuer whose securities are listed on a Canadian stock exchange or not.

6. For a member of the organization of a mutual fund that is a reporting issuer in any jurisdiction and whose securities are listed on a Canadian stock exchange, the threshold for disclosure of an equity interest by a participating dealer or a representative of a participating dealer or their respective associates is more than ten percent (10%) of any class of securities of that member whereas for all other issuers, *any* equity interest by a participating dealer or a representative of a participating dealer or their respective associates of any class of securities of that member must be disclosed.

7. While HFSG is not a reporting issuer in any jurisdiction, and none of its securities are listed on a Canadian stock exchange, HFSG is a corporation incorporated under the laws of the State of Delaware in the United States of America (the "U.S.") and is subject to the requirements of the Securities Exchange Act of 1934 of the U.S. (the "1934 Act") and is not exempt from the requirements of the 1934 Act pursuant to Rule 129, 3-2 made under the 1934 Act.

8. The shares of common stock of HFSG are listed on The New York Stock Exchange and are widely held with no single shareholder owning 10% or more of its issued and outstanding shares. As at July 7, 2004, HFSG had approximately 290,000,000 shares of common stock issued and outstanding with a market capitalization of approximately U.S. $19.75 billion.

9. HFSG is a substantial financial services corporation with many subsidiaries including, indirectly, the Manager. The operations of the Manager do not currently and will not in the foreseeable future have any material impact or effect on HFSG or the value of its securities.

AND WHEREAS pursuant to 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 National Instrument that provides the Decision Makers with the jurisdiction to make the Decision has been met;

THE DECISION OF THE DECISION MAKERS IN THE JURISDICTIONS under section 9.1 of the National Instrument is that, for each of the Manager, the New Funds, and any other funds managed by the Manager in the future, for the purposes of the National Instrument, equity interests in HFSG may be calculated and disclosed as if HFSG is a reporting issuer, the securities of which are listed on a Canadian stock exchange.

August 10, 2004.

"Susan Wolburgh Jenah" "Paul Bates"

2.1.2 Energy North 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 10, 2004

Gowling Lafleur Henderson LLP
Suite 1400, 700 - 2nd Street S.W.
Calgary, AB T2P 4V5

Attention: Erin R. Lee

Dear Ms. Lee:

Re: Energy North 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 (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"

2.1.3 Persona 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.

August 16, 2004

Fasken Martineau DuMoulin LLP
66 Wellington Street West
Suite 4200, Toronto Dominion Bank Tower
Box 20, Toronto-Dominion Centre
Toronto, ON M5K 1N6

Attention: Krisztian Toth

Dear Mr. Toth:

Re: Persona Inc. (the "Applicant") - application to cease to be a reporting issuer under the securities legislation of Ontario, Alberta, Saskatchewan, Manitoba, Autorité des Marché Financiers du Québec, 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 Makers that,

- 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;

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

- 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

- 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.

"Charlie MacCready"

2.1.4 Canadian Bank Note Company, Limited - 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 16, 2004

Fasken Martineau DuMoulin LLP
66 Wellington Street West
Suite 4200, Toronto Dominion Bank Tower
Box 20, Toronto-Dominion Centre
Toronto, Ontario M5K 1N6

Attention: Jeffrey Klam

Dear Sirs/Mesdames:

RE: Canadian Bank Note Company, Limited (the "Applicant") – Application to Cease to be a Reporting Issuer under the securities legislation of the Provinces of Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia and Newfoundland and Labrador (collectively, the "Jurisdictions")

The Applicant has applied to the local securities regulatory authority of regulator (the "Decision Maker") in each of the Jurisdictions for an order 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,

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

"Cameron McInnis"

2.1.5 COMPASS Income Fund et al. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Application – Prospectus and registration exemptions granted to exchange traded closed-end funds (for re-selling units that are repurchased by the funds) have been varied to extend the time period to ten months that the funds can hold the repurchased units before they are cancelled by the funds.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., section 52, subsection 74(1) and section 144.

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, ONTARIO, NOVA SCOTIA, NEW BRUNSWICK, PRINCE EDWARD ISLAND, NEWFOUNDLAND AND LABRADOR AND YUKON

AND

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

AND

IN THE MATTER OF
COMPASS INCOME FUND,
MAXIN INCOME FUND,
INDEXPLUS INCOME FUND AND
INDEXPLUS 2 INCOME FUND

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of British Columbia, Alberta, Saskatchewan, Ontario, Nova Scotia, New Brunswick, Prince Edward Island, Newfoundland and Labrador and Yukon (the "Jurisdictions") has received an application from COMPASS *Income Fund* ("COMPASS"), MAXIN *Income Fund* ("MAXIN"), INDEXPLUS *Income Fund* ("INDEXPLUS") and INDEXPLUS 2 *Income Fund* ("INDEXPLUS 2") (collectively, the "Trusts"), for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") varying the respective MRRS Decision Documents that were issued on October 20, 2003 to COMPASS (the "COMPASS Decision"), on July 2, 2003 to MAXIN (the "MAXIN Decision"), on November 13, 2003 to INDEXPLUS (the "INDEXPLUS Decision") and on December 23, 2003 to INDEXPLUS 2 (the "INDEXPLUS 2 Decision") (collectively, the "Original Decisions");

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 each of the Trusts has represented, as applicable, to the Decision Makers that:

1. COMPASS, MAXIN, INDEXPLUS and INDEXPLUS 2 are unincorporated closed-end investment trusts established under the laws of the Province of Ontario on March 27, 2002, March 28, 2003, July 29, 2003 and October 30, 2003 respectively.

2. COMPASS, MAXIN, INDEXPLUS and INDEXPLUS 2 became reporting issuers or the equivalent thereof in the Jurisdictions on March 28, 2002, March 28, 2003, July 30, 2003 and October 31, 2003 upon obtaining receipt for their respective (final) prospectuses. As of the date hereof, COMPASS, MAXIN, INDEXPLUS and INDEXPLUS 2 are not in default of any requirements under the Legislation.

3. Middlefield COMPASS Management Limited, Middlefield MAXIN Management Limited, Middlefield INDEXPLUS Management Limited, and Middlefield INDEXPLUS 2 Management Limited, which were incorporated pursuant to the *Business Corporations Act* (Ontario), are the manager and the trustee of COMPASS, MAXIN, INDEXPLUS, and INDEXPLUS 2, respectively.

4. The units of COMPASS, MAXIN, INDEXPLUS and INDEXPLUS 2 (the "Units") are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the trading symbol "CMZ.UN", "MXZ.UN", "IDX.UN" and "IDT.UN", respectively.

5. In order to enhance liquidity and to provide market support for the Units, each of the Trusts is, subject to compliance with any applicable regulatory requirements, obligated to purchase (the "Mandatory Purchase Program") any of its Units offered in the market on a business day at the then prevailing market price if the price at which Units are then offered for sale is less than 95% of the its net asset value per Unit determined as at the close of business in Toronto, Ontario on the immediately preceding business day, provided that the maximum number of Units that each of COMPASS, MAXIN and INDEXPLUS shall purchase in any three month period will be 2.50% of the number of Units outstanding at the beginning of each such three month period and the maximum number of Units that INDEXPLUS 2 shall purchase in any three month period will be 1.25% of the number of Units outstanding at the beginning of each such three month period. In addition, each Trust is not required to purchase Units pursuant to its Mandatory Purchase Program in certain circumstances as described in its Original Decision.

6. In addition, each of the Trusts, subject to applicable regulatory requirements and limitations, has the right, but not the obligation, exercisable in its sole discretion, at any time, to purchase its outstanding Units in the market at prevailing market prices (the "Discretionary Purchase Program"). Such discretionary purchases may be made through the facilities and under the rules of any exchange or market on which its Units are listed (including the TSX) or as otherwise permitted by applicable securities laws.

7. The holders of Units of each Trust have the ability to require such Trust to redeem its Units once per year for a price equal to the net asset value of the Trust divided by the number of Units of the Trust then outstanding as of the redemption date, as described in the Original Decision of each Trust (the "Redemption Program").

8. The Original Decisions provide an exemption to the Trusts from the prospectus requirement of the Legislation to sell Units of the Trusts that were repurchased or redeemed ("Repurchased Units") under the Mandatory Purchase Program, the Discretionary Purchase Program and the Redemption Program.

9. COMPASS, MAXIN, INDEXPLUS and INDEXPLUS 2 represented in their respective Original Decisions that Repurchased Units which the respective Trust does not sell within 10 months of the purchase or redemption of such Repurchased Units will be cancelled by the Trust.

10. As markets can be volatile in the short-term, a longer period of 16 months (with 4 months holding restriction), is necessary to allow the Trusts to mitigate the impact of short-term market volatility in selling the repurchased units.

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 Makers with the jurisdiction to make the Decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that the Original Decisions are hereby varied as follows:

(a) Paragraph 16 of the COMPASS Decision is deleted and replaced with the following:

"Repurchased Units which the Trust does not sell within 16 months of the purchase of such Repurchased Units will be cancelled by the Trust."

(b) Paragraph 15 of the MAXIN Decision is deleted and replaced with the following:

"Repurchased Units which the Trust does not sell within 16 months of the purchase of such Repurchased Units will be cancelled by the Trust."

(c) Paragraph 15 of the INDEXPLUS Decision is deleted and replaced with the following:

"Repurchased Units which the Trust does not sell within 16 months of the purchase of such Repurchased Units will be cancelled by the Trust."

(d) Paragraph 15 of the INDEXPLUS 2 Decision is deleted and replaced with the following:

"Repurchased Units which the Trust does not sell within 16 months of the purchase of such Repurchased Units will be cancelled by the Trust."

August 16, 2004.

"Suresh Thakrar" "Paul K. Bates"

2.1.6 Norbord Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - relief granted to certain vice presidents of a reporting issuer from the insider reporting requirements subject to certain conditions.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 1(1), 107, 108, 121(2)(a)(ii).

Regulations Cited

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., Part VIII.

Rules Cited

National Instrument 55-101 - Exemption From Certain Insider Reporting Requirements.

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA, SASKATCHEWAN, MANITOBA,
ONTARIO, 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
NORBORD 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 Norbord Inc. ("Norbord") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the requirement contained in the Legislation to file insider reports shall not apply to certain individuals who are insiders of Norbord by reason of having the title of Vice-President;

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 Norbord has represented to the Decision Makers that:

1. Norbord is an international forest products company incorporated under and governed by the *Canada Business Corporations Act* with its head office located at Suite 500, 1 Toronto Street, Toronto, ON, M5C 2W4.

2. Norbord is a reporting issuer, or the equivalent, as applicable, in each province and territory of Canada. To the best of its knowledge, information and belief, Norbord is not in default of its reporting requirements under the Legislation.

3. Currently, 39 individuals are insiders of Norbord by reason of being a senior officer or director of Norbord or a major subsidiary of Norbord and are not otherwise exempt from the insider reporting requirements of the Legislation by reason of existing orders and/or the exemptions contained in National Instrument 55-101 *Exemption from Certain Insider Reporting Requirements* ("NI 55-101").

4. Norbord made this application to seek the requested relief in respect of approximately 16 individuals, who, in the opinion of senior officers of Norbord (the "Senior Officers") who oversee administration of Norbord's trading restrictions for directors, senior officers and other employees, satisfy the Exempt VP Criteria (as defined below).

5. Norbord has trading restrictions in place for all directors and employees of Norbord and its subsidiaries to ensure that such persons are aware that: (a) they are not permitted to buy or sell Norbord securities when they have material information about Norbord that has not been released to the general public; and (b) they are not permitted to disclose to anyone, inadvertently or intentionally, material information about Norbord that has not been released to the general public, except to other employees on a need-to-know basis.

6. Norbord has additional trading restrictions in place for senior officers as well as certain other employees who may receive or have access to non-public material information about Norbord. Norbord developed these additional restrictions to ensure that its directors, senior officers and other employees are aware of their responsibilities under the Legislation and to assist them in complying with the Legislation.

7. The additional restrictions require that trades in Norbord securities may occur only during certain time frames following the announcement of Norbord's financial results. These additional restrictions will continue to apply to any individual who is exempted from the insider reporting requirements by the Decision Makers.

8. The Senior Officers reviewed: (a) the organizational structure of Norbord and its major subsidiaries; (b) the function of each vice-president; and (c) the distribution of non-public material information about Norbord through each of its business groups and assessed whether non-public material information about Norbord was provided to a particular vice-president function in the ordinary course based on criteria contained in Canadian Securities Administrators Staff Notice 55-306 *Applications for Relief from the Insider Reporting Requirements by Certain Vice Presidents* (the "Staff Notice').

9. Norbord has made this application to seek relief from the insider reporting requirement for individuals who meet the following criteria set out in the Staff Notice (the "Exempt VP Criteria"):

   (a) the individual is a vice-president;

   (b) the individual is not in charge of a principal business unit, division or function of Norbord or a "major subsidiary" of Norbord (as that term is defined in NI 55-101);

   (c) the individual does not in the ordinary course receive or have access to information regarding material facts or material changes concerning Norbord before the material facts or material changes are generally disclosed; and

   (d) the individual is not an insider of Norbord in any capacity other than as vice-president.

10. The Senior Officer applies the same analysis each time a new vice-president is appointed or an existing vice-president is promoted. The Senior Officer will review and update Norbord's Exempt VP analysis annually.

11. If an individual who is designated as an Exempt VP no longer satisfies the Exempt VP Criteria, the Senior Officer will ensure that the individual is informed about his or her renewed obligation to file an insider report on trades in securities of Norbord.

12. Norbord's internal policies relating to restricting the trading activities of their insiders and other persons whose trading activities are restricted by Norbord is publicly available on its website.

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 to file insider reports shall not apply to insiders of Norbord who satisfy the Exempt VP Criteria for so long as such insiders satisfy the Exempt VP Criteria provided that:

(a) Norbord agrees to make available to the Decision Makers, upon request, to the extent permitted by law, a list of all individuals who are relying on the exemption granted by this Decision as at the time of the request; and

(b) the relief granted will cease to be effective on the date when NI 55-101 is amended.

August 10, 2004.

"Susan Wolburgh-Jenah" "Paul K. Bates"

2.1.7 Fraser Papers Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – relief granted to certain vice presidents of a reporting issuer from the insider reporting requirements subject to certain conditions.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 1(1), 107, 108, 121(2)(a)(ii).

Regulations Cited

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as am., Part VIII.

Rules Cited

National Instrument 55-101 - Exemption From Certain Insider Reporting Requirements.

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA, SASKATCHEWAN, ONTARIO, 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
FRASER PAPERS INC.

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, Saskatchewan, Ontario, Québec, Nova Scotia and Newfoundland and Labrador (collectively the "Jurisdictions") has received an application from Fraser Papers Inc. ("Fraser Papers") for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that the requirement contained in the Legislation to file insider reports shall not apply to certain individuals who are insiders of Fraser Papers by reason of having the title of Vice-President;

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 Fraser Papers has represented to the Decision Makers that:

1. Fraser Papers is an international forest products company incorporated under and governed by the *Canada Business Corporations Act* with its head office located at Suite 500, 1 Toronto Street, Toronto, ON, M5C 2W4.

2. Fraser Papers is a reporting issuer, or the equivalent, as applicable, in each province and territory of Canada. To the best of its knowledge, information and belief, Fraser Papers is not in default of its reporting requirements under the Legislation.

3. Currently, 28 individuals are insiders of Fraser Papers by reason of being a senior officer or director of Fraser Papers or a major subsidiary of Fraser Papers and are not otherwise exempt from the insider reporting requirements of the Legislation by reason of existing orders and/or the exemptions contained in National Instrument 55-101 *Exemption from Certain Insider Reporting Requirements* ("NI 55-101").

4. Fraser Paper made this application to seek the requested relief in respect of approximately 16 individuals, who, in the opinion of senior officers of Fraser Papers (the "Senior Officers") who oversee administration of Fraser Papers' trading restrictions for directors, senior officers and other employees, satisfy the Exempt VP Criteria (as defined below).

5. Fraser Papers has trading restrictions in place for all directors and employees of Fraser Papers and its subsidiaries to ensure that such persons are aware that: (a) they are not permitted to buy or sell Fraser Papers securities when they have material information about Fraser Papers that has not been released to the general public; and (b) they are not permitted to disclose to anyone, inadvertently or intentionally, material information about Fraser Papers that has not been released to the general public, except to other employees on a need-to-know basis.

6. Fraser Papers has additional trading restrictions in place for senior officers as well as certain other employees who may receive or have access to non-public material information about Fraser Papers. Fraser Papers developed these additional restrictions to ensure that its directors, senior officers and other employees are aware of their responsibilities under the Legislation and to assist them in complying with the Legislation.

7. The additional restrictions require that trades in Fraser Papers securities may occur only during certain time frames following the announcement of Fraser Papers' financial results. These additional restrictions will continue to apply to any individual who is exempted from the insider reporting requirements by the Decision Makers.

8. The Senior Officers reviewed: (a) the organizational structure of Fraser Papers and its major subsidiaries; (b) the function of each vice-president; and (c) the distribution of non-public material information about Fraser Papers through each of its business groups and assessed whether non-public material information about Fraser Papers was provided to a particular vice-president function in the ordinary course based on criteria contained in Canadian Securities Administrators Staff Notice 55-306 *Applications for Relief from the Insider Reporting Requirements by Certain Vice Presidents* (the "Staff Notice').

9. Fraser Papers has made this application to seek relief from the insider reporting requirement for individuals who meet the following criteria set out in the Staff Notice (the "Exempt VP Criteria"):

   a) the individual is a vice-president;

   b) the individual is not in charge of a principal business unit, division or function of Fraser Papers or a "major subsidiary" of Fraser Papers (as that term is defined in NI 55-101);

   c) the individual does not in the ordinary course receive or have access to information regarding material facts or material changes concerning Fraser Papers before the material facts or material changes are generally disclosed; and

   d) the individual is not an insider of Fraser Papers in any capacity other than as vice-president.

10. The Senior Officers apply the same analysis each time a new vice-president is appointed or an existing vice-president is promoted. The Senior Officers will review and update Fraser Papers' Exempt VP analysis annually.

11. If an individual who is designated as an Exempt VP no longer satisfies the Exempt VP Criteria, the Senior Officers will ensure that the individual is informed about his or her renewed obligation to file an insider report on trades in securities of Fraser Papers.

12. Fraser Papers' internal policies relating to restricting the trading activities of their insiders and other persons whose trading activities are restricted by Fraser Papers is publicly available on its website.

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 to file insider reports shall not apply to insiders of Fraser Papers who satisfy the Exempt VP Criteria for so long as such insiders satisfy the Exempt VP Criteria provided that:

(a) Fraser Papers agrees to make available to the Decision Makers, upon request, to the extent permitted by law, a list of all individuals who are relying on the exemption granted by this Decision as at the time of the request; and

(b) the relief granted will cease to be effective on the date when NI 55-101 is amended.

July 30, 2004.

"Paul M. Moore" "Wendell S. Wigle"

2.1.8 Household Finance Corporation and Household Financial Corporation Limited - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - issuer's medium term notes fully guaranteed by an affiliate - issuer unable to rely upon exemption for credit support issuers contained in National Instrument 51-102 and Multilateral Instrument 52-109 because (i) credit supporter is not the direct or indirect beneficial owner of all of the issuer's voting securities, and (ii) the issuer prepares a non-classified balance sheet, as permitted by Canadian GAAP - issuer exempt from continuous disclosure requirements and certification requirements, subject to conditions - issuer also exempt from requirement to file current reports of credit supporter on Form 8-K whose contents are comprised solely of exhibits attaching the form of securities offered by the credit supporter in the United States and related documents, all of a non-financial nature.

Applicable Instruments

National Instrument 51-102 Continuous Disclosure Obligations, ss. 13.1 and 13.4.
Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ss. 4.4 and 4.5.

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

AND

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

AND

IN THE MATTER OF
HOUSEHOLD FINANCE CORPORATION AND
HOUSEHOLD FINANCIAL CORPORATION LIMITED

MRRS DECISION DOCUMENT

WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, British Columbia, Manitoba, Newfoundland and Labrador, Nova Scotia, Ontario, Québec and Saskatchewan (the "Jurisdictions") has received an application from Household Finance Corporation ("HFC") and Household Financial Corporation Limited ("HFCL" and together with HFC, the "Filer") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that HFCL:

(i) be exempted from the application of National Instrument 51-102 *Continuous*

Disclosure Obligations ("NI 51-102") pursuant to section 13.1 of NI 51-102 and in Québec by a revision of the general order that will provide the same result as an exemption order, and

(ii) except in British Columbia and Québec, be exempted from the application of Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* ("MI 52-109") pursuant to section 4.5 of MI 52-109;

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 Filer has represented to the Decision Makers that:

1. HFCL coordinates the activities of, arranges the funding of and furnishes administrative services for its subsidiaries. HFCL offers a diversified range of consumer financial services to the Canadian public through a network of approximately 110 retail branches. These services include consumer loans, mortgages, retail finance, revolving credit and the acceptance of deposits. They are offered by HFCL through four principal operating subsidiaries: Household Finance Corporation of Canada, Household Realty Corporation Limited, Household Finance Corporation Inc. and Household Trust Company.

2. HFCL, formerly Household Securities Limited, was incorporated by Letters Patent on September 9, 1947, pursuant to a predecessor to the *Business Corporations Act* (Ontario). HFCL changed its name from Household Securities Limited to Household Financial Corporation Limited on August 13, 1975 when a Certificate and Articles of Amendment were issued.

3. HFCL is a reporting issuer or the equivalent in the Jurisdictions and is not included in a list of defaulting reporting issuers maintained by any of the Decision Makers.

4. HFCL is an indirect, wholly-owned subsidiary of Household International, Inc. ("HI"), a Delaware incorporated company. On March 28, 2003, HSBC Holdings plc acquired HI. HI is not a reporting issuer or the equivalent in any of the Jurisdictions. HI has been a reporting company under the 1934 Act for more than 10 years and has filed with the SEC all 1934 Act filings for the last 12 calendar months.

5. HFCL is an affiliate of HFC, a Delaware incorporated company and a wholly-owned subsidiary of HI. HFC is not a reporting issuer or the equivalent in any of the Jurisdictions. HFC has been a reporting company under the 1934 Act for more than 10 years and has filed with the SEC all 1934 Act filings for the last 12 calendar months.

6. In connection with takedowns under a HFC base shelf prospectus in the U.S., HFC is required to file with the SEC current reports on Form 8-K (the "Non-Essential 8-Ks") whose contents are comprised solely of exhibits attaching the form of certain securities for each such takedown, the consent and opinion of counsel relating thereto and other documentation, all of a non-financial nature, that may be required to be filed with the SEC in connection with such takedowns. The Non-Essential 8-Ks are publicly available on the SEC's Internet website at www.sec.gov.

7. HFCL has maintained a medium term note program in the Jurisdictions for more than 10 years. HFCL last "renewed" its medium term note program pursuant to a short form shelf prospectus dated November 20, 2002, as amended by Amendment No 1. dated May 13, 2003 (the "2002 Prospectus"). HFC is the guarantor of the medium term notes issued and issuable pursuant to the 2002 Prospectus.

8. As at the date hereof, the issued and outstanding share capital of HFCL consists of 90,002 common shares, all of which are owned, directly or indirectly by HI. In addition to such shares, HFCL also has outstanding medium term notes and commercial paper, all of which are fully guaranteed by HFC. As at June 30, 2004, HFCL and its consolidated subsidiaries had approximately Cdn. $2.05 billion in medium term notes and approximately Cdn. $260 million in commercial paper outstanding.

9. Relying on the exemption in section 13.4 of NI 51-102 would have the effect of requiring HFCL to file with the Decision Makers all of the current reports on Form 8-K that HFC is required to file with the SEC.

10. HFCL cannot rely upon the exemption from NI 51-102 contained in section 13.4 of that instrument because:

    (a) HFC is not the direct or indirect beneficial owner of all the issued and outstanding voting securities of HFCL; and

    (b) HFCL prepares its balance sheet without segregating its assets and liabilities between current and non-current (a

"Non-Classified Balance Sheet") and therefore, does not provide the information required by subsection 13.4(2)(g) of NI 51-102.

11. Because HFCL cannot rely upon the exemption in section 13.4 of NI 51-102, HFCL cannot rely upon the exemption from MI 52-109 contained in section 4.4 of that instrument.

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 tests 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 requirements of NI 51-102 shall not apply to HFCL provided that:

(a) HFCL is in compliance with the requirements and conditions of section 13.4 of NI 51-102, other than the requirements in subsections 13.4(2)(a), (d) and (g);

(b) HI (or any successor thereto) remains the direct or indirect beneficial owner of 100% of the issued and outstanding voting shares of each of HFCL and HFC;

(c) the only credit supporter of HFCL is HFC;

(d) HFCL files, in electronic format, annual comparative selected financial information for such completed financial year and the financial year immediately preceding such financial year, derived from its audited annual financial statements, prepared in accordance with Canadian GAAP and accompanied by a specified procedures report of the auditors to HFCL;

(e) HFCL files the annual comparative selected financial information referred to in paragraph (d) above within:

(i) 120 days of HFCL's then most recently completed financial year beginning on or after January 1, 2004, if HFCL is a venture issuer (as defined in NI 51-102) as at the end of such financial year; or

(ii) 90 days of HFCL's then most recently completed financial year beginning on or after January 1, 2004 if HFCL is not a venture issuer as at the end of such financial year;

(f) HFCL's annual comparative selected financial information referred to in paragraph (d) above, shall include at least the following line items (or such other line items that provide substantially similar disclosure):

(i) total revenue net of interest expense and credit losses;

(ii) net income;

(iii) net receivables, investments and accrued interest, together with a descriptive note on the allowance for credit losses;

(iv) total assets;

(v) short-term debt - commercial paper;

(vi) long-term debt;

(vii) total debt;

(viii) accounts payable and accrued liabilities;

(ix) total liabilities; and

(x) total shareholder's equity;

(g) HFCL files, in electronic format, interim comparative selected financial information for such interim period and for items (i) and (ii) of paragraph (i) below, the corresponding interim period in the previous financial year and for items (iii) through to and including (x) of paragraph (i) below, as at the end of the previous financial year, with all such information derived from its unaudited interim financial statements, prepared in accordance with Canadian GAAP;

(h) HFCL files the interim comparative selected financial information referred to in paragraph (g) above within:

(i) 60 days of HFCL's then most recently completed interim period beginning on or after January 1, 2004, if HFCL is a venture issuer as at the end of such interim period; or

(ii) 45 days of HFCL's then most recently completed interim period beginning on or after

January 1, 2004 if HFCL is not a venture issuer as at the end of such interim period;

(i) HFCL's interim comparative selected financial information referred to in paragraph (g) above shall include at least the following line items (or such other line items that provide substantially similar disclosure):

(i) total revenue net of interest expense and credit losses;

(ii) net income;

(iii) net receivables, investments and accrued interest, together with a descriptive note on the allowance for credit losses;

(iv) total assets;

(v) short-term debt - commercial paper;

(vi) long-term debt;

(vii) total debt;

(viii) accounts payable and accrued liabilities;

(ix) total liabilities; and

(x) total shareholder's equity;

(j) if HFCL's presentation of a Non-Classified Balance Sheet is not permissible under Canadian GAAP, HFCL will adjust its presentation of the annual and interim comparative selected financial information referred to in paragraphs (d) and (g) above so that it is in compliance with requirements set out in subsection 13.4(2)(g) of NI 51-102;

(k) HFCL files with the Decision Makers copies of all of the documents required to be filed by HFC with the SEC except for the Non-Essential 8-Ks, which HFCL shall not be required to file with the Decision Makers;

AND THE FURTHER DECISION of the Decision Makers (other than the Decision Makers in British Columbia and Québec) is that the requirements of MI 52-109 shall not apply to HFCL provided that HFCL is compliance with the conditions set out in paragraph (a) through (k) of the Decision above.

August 13, 2004.

"Kelly Gorman"

2.1.9 Argo Energy Ltd. and Energy North Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Relief granted from the requirement to provide certain audited financial statements in an information circular for a significant acquisition involving oil and gas properties on the condition that acceptable alternative financial disclosure be provided.

Rules Cited

National Instrument 51-102 – Continuous Disclosure Obligations, Part 9 and section 13.1 and Form 51-102F5, section 14.2.
Ontario Securities Commission Rule 54-501 – Prospectus Disclosure, ss. 2.1 and 3.1.
Ontario Securities Commission Rule 41-501 – General Prospectus Requirements, section 15.1 and Companion Policy to Rule 41-501, section 3.3(2).

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA, BRITISH COLUMBIA AND ONTARIO

AND

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

AND

IN THE MATTER OF
ARGO ENERGY LTD.
AND ENERGY NORTH INC.

MRRS DECISION DOCUMENT

1. WHEREAS the local securities regulatory authority or regulator (the "Decision Maker") in each of Alberta, British Columbia and Ontario (the "Jurisdictions") has received an application from Argo Energy Ltd. ("Argo") and Energy North Inc. ("Energy North") (Argo and Energy North are sometimes collectively referred to as the "Filers") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that Energy North be exempted, subject to certain conditions, from the requirements to provide audited statements of income, retained earnings and cash flow and a full proforma income statement and a balance sheet in respect to certain acquisitions made by Argo within the last three financial years, each of which would be considered to be "significant acquisitions" to Argo, to its shareholders in connection with a proposed plan of arrangement (the "Plan of Arrangement") under Section 193 of the *Business Corporations Act* (Alberta) ("ABCA") pursuant to an Arrangement Agreement between Argo and Energy North (the "Arrangement Agreement") dated May 9, 2004, as amended.

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 in Québec, Commission Notice 14-101;

4. AND WHEREAS the Filers have represented to the Commission that:

   4.1 Argo was incorporated on February 23, 1995 as "Pegaz Energy Inc." pursuant to the *Canada Business Corporations Act*. Subsequently, Argo changed its name, amended its share capital and continued from the *Canada Business Corporations Act* to the *Business Corporations Act* (Alberta). Argo's principal business address is Suite 750, 330 – 5th Avenue S.W., Calgary, Alberta, T2P 0L4. Argo's registered office is the same address.

   4.2 Argo is a reporting issuer in Alberta, Ontario and Québec and its shares have been listed on the TSX Venture Exchange (and its predecessors) since September 28, 2001.

   4.3 Argo is not in default under the Legislation.

   4.4 Energy North was incorporated under the ABCA on February 3, 1994. Its authorized capital consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

   4.5 Energy North is a reporting issuer in British Columbia, Alberta and Ontario and its common shares have been listed for trading on the Toronto Stock Exchange since January 17, 2001. The common shares were previously listed for trading on the TSX Venture Exchange from June 3, 1994 until February 9, 2001.

   4.6 Energy North is not in default under the Legislation.

   4.7 Under the Plan of Arrangement:

      4.7.1 Energy North shareholders will receive, for each Energy North share, 0.3084 of one common share of Argo; and

4.7.2 holders of options (the "Options") to purchase Energy North shares which are outstanding prior to the effective time of the Plan of Arrangement will receive a number of common shares of Argo determined on the basis of a formula that provides them with the economic equivalent of their options determined in accordance with the terms of the option agreements.

4.8 On December 5, 2003, Argo acquired (the "Share Acquisition") all of the issued and outstanding common shares of Advantage Energy Corporation ("Advantage"), which constituted a "significant acquisition" in accordance with Ontario Securities Commission ("OSC") Rule 41-501 ("OSC Rule 41-501").

4.9 At the time of the Share Acquisition, the only asset of any meaningful value in Advantage was the right to purchase certain oil and gas properties (the "Gift/Little Horse Assets") from a third party vendor.

4.10 On December 5, 2003, Argo also acquired (the "Asset Acquisition") the Gift/Little Horse Assets, which also constituted a "significant acquisition" in accordance with OSC Rule 41-501.

4.11 Energy North is preparing an Information Circular (the "Information Circular") for its meeting (the "Meeting") to be held on or about July 28, 2004 where its shareholders and holders of Options will be given the opportunity to vote as a single class on the Plan of Arrangement.

4.12 The Plan of Arrangement requires the approval of at least 66 2/3% of the shareholders of Energy North and holders of Options present in person or by proxy at the Meeting.

4.13 The Information Circular will contain the following operating statements in accordance with the suggested alternative disclosure under Section 3.3 of the Companion Policy to OSC Rule 41-501 *General Prospectus Requirements* (the "Alternative Operating Information Disclosure") in respect to both the Share Acquisition and the Asset Acquisition:

4.13.1 audited Operating Statements of Revenue and Operating Expenses in respect of the Gift/Little Horse Assets for the five month period ended April 30, 2004 and for the eight month period ended November 30, 2003;

4.13.2 unaudited pro forma income statement for Argo for the year ended December 31, 2003 combining the Gift/Little Horse Assets as if such acquisition had occurred on January 1, 2003;

4.13.3 unaudited pro forma earnings per share based upon the statement referred to in section 4.13.2;

4.13.4 information with respect to reserve estimates and estimates of future net revenues and production volumes in respect of the Gift/Little Horse Assets; and

4.13.5 production volumes for the Gift/Little Horse Assets for the 12-month period commencing April 1, 2003 and ending March 31, 2004.

4.14 Without the relief granted by this decision, Energy North would be required to include in the Information Circular full financial statement disclosure in respect of the Share Acquisition and the Asset Acquisition, including audited statements of income, retained earnings and cash flow for a three-year period (the "Prescribed Financial Disclosure").

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 Energy North be exempted from the requirements of the Prescribed Financial Disclosure provided that Energy North includes the Alternative Operating Information Disclosure in the Information Circular.

July 14, 2004.

“Mavis Legg”

2.1.10 Matisse Investment Management Ltd. - MRRS Decision

Headnote

Exemptive Relief Applications - application for mutual fund prospectus lapse date extension.

Applicable Ontario Provisions

Securities Act, R.S.O. 1990, c. S.5, s. 62(5).

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

AND

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

AND

IN THE MATTER OF
DYNAMIC MANAGED FUTURES HEDGE FUND

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Newfoundland and Labrador, Prince Edward Island, Nova Scotia and New Brunswick (the "Jurisdictions") have received an application from Matisse Investment Management Ltd. ("Matisse") on behalf of the Dynamic Managed Futures Hedge Fund (the "Fund") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the lapse date for the prospectus of the Fund, as prescribed by the Legislation, be extended;

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

AND WHEREAS Matisse has represented to the Decision Makers that:

1. the Fund is an open-end trust established under the laws of British Columbia;

2. Matisse is the manager, trustee and promoter of the Fund;

3. the units of the Fund (the "Units") are qualified for distribution in each of the Jurisdictions under a prospectus of the Fund dated August 1, 2003 filed with each of the Decision Makers (the "Current Prospectus") for which a receipt was issued by each of the Decision Makers dated August 6, 2003;

4. Goodman & Company, Investment Counsel Ltd. ("Goodman") has entered into a share purchase agreement ("Share Purchase Agreement") with Asset Logics Capital Management Inc. ("Asset Logics") whereby Asset Logics will purchase control of Matisse;

5. an application for the change of control of Matisse has been filed with the Decision Makers and 60 days notice was given to unitholders of the Fund of the change in control of Matisse as required under National Instrument 81-102 - Mutual Funds;

6. an amendment to the Current Prospectus disclosing the proposed change of control will be filed on or before August 11, 2004;

7. the Current Prospectus, together with the amendment thereto, constitutes full, true and plain disclosure of all material facts relating to the offering of the Units;

8. Asset Logics intends to change the name of the Fund and replace the current registrar and administrator of the Fund effective on the closing of the share purchase transaction between Goodman and Asset Logics, the day after the expiry of the 60 day notice period;

9. Matisse, on behalf of the Fund, has filed a pro forma prospectus dated June 28, 2004 (the "Pro Forma Prospectus") and related documents with each of the Decision Makers as part of its annual renewal prospectus filing;

10. Matisse, on behalf of the Fund, intends to file a renewal prospectus of the Fund (the "Renewal Prospectus") with each of the Decision Makers, to ensure the Units continue to be qualified for distribution in the Jurisdictions beyond the lapse date for the Current Prospectus;

11. the closing of the Transaction is September 20, 2004, which is after August 11, 2004, the date which the Renewal Prospectus of the Fund is required to be filed in most of the Jurisdictions;

12. the closing of the Transaction will require numerous changes be made to the prospectus of the Fund to remove all references to Dynamic (except in respect of the financial statements and historical name of the Fund) pursuant to the Share Purchase Agreement and to reflect information on the new directors and officers of Matisse and the new ownership of Matisse, which changes would require the filing of an amended and restated prospectus shortly after filing of the Renewal Prospectus, incurring additional costs related

thereto, if the lapse date extension were not provided;

13. the Renewal Prospectus will contain full, true and plain disclosure of all material facts related to the offering of the Units; and

14. under the Legislation, the lapse date of the Current Prospectus in British Columbia and certain of the Jurisdictions is 12 months after the date of the current Prospectus and in Quebec is 12 months from the date of the receipt of the current Prospectus;

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

AND WHEREAS the Decision Makers are of the opinion that it would not be prejudicial to the public interest to make the Decision;

THE DECISION of the Decision Makers pursuant to the Legislation is that the time periods provided by the Legislation as they apply to the continued distribution of Units under the Current Prospectus for the Fund (including the time periods that apply to the filing and receipt of the Renewal Prospectus) are extended to the time periods that would be applicable if the lapse date in the Legislation for the distribution of Units under the Current Prospectus was September 11, 2004.

August 11, 2004.

"Andrew S. Richardson"

2.2 Orders

2.2.1 CRMNET.com Inc. - s. 144

Headnote

Section 144 – full revocation of cease trade order upon remedying of defaults.

Statutes Cited

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

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

AND

IN THE MATTER OF
CRMNET.COM INC.

ORDER
(Section 144)

WHEREAS the securities of CRMNET.com Inc. (the "Corporation") are subject to a Temporary Order of the Director made on behalf of the Ontario Securities Commission (the "Commission"), pursuant to paragraph 2 of subsection 127(1) and subsection 127(5) of the Act, on June 4, 2004, as extended by a further order of the Director on June 16, 2004, on behalf of the Commission pursuant to subsection 127(8) of the Act (collectively the "Cease Trade Order") directing that trading in the securities of the Corporation cease until the Cease Trade Order is revoked by a further order of revocation;

AND UPON the Corporation having applied to 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 incorporated under the *Corporations Act* (Ontario) on May 20, 1964 under the name Donrand Mines Limited. By Articles of Amendment dated March 8, 2000, the Corporation amended its Articles, among other things, to change the name of the Corporation to CRMNET.com Inc.;

2. The Corporation is a reporting issuer in the Province of Ontario;

3. The authorized capital of the Corporation consists of an unlimited number of common shares of which 24,523,181 common shares are issued and outstanding as fully paid and non-assessable;

4. The Cease Trade Order was issued due to the failure of the Corporation to file with the Commission audited financial statements for the year ended December 31, 2003 (the "Annual Financial Statements") and interim statements for the three-month period ended March 31, 2004 (the "Interim Statements") as required by the Act;

5. The 2003 Annual Financial Statements and the March 31, 2004 Interim Statements were not filed with the Commission due to a lack of funds to pay for the preparation and audit of such statements. The Corporation has adequate financing to carry out its regular operations and plans to seek new financing upon revocation of the cease-trade order;

6. The audited financial statements for the year ending December 31, 2003 and the interim statements for the three-month period ended March 31, 2004 (collectively the "Financial Statements"), were filed with the Commission via SEDAR on July 20, 2004 and July 26, 2004, respectively;

7. During July 2004, there was a change of management in the Company. The new management is confident that all future deadlines will be met;

8. The Corporation has now brought its continuous disclosure filings up-to-date; and

9. Except for the Cease Trade Order and the failure of the Corporation to file the Financial Statements when due, the Corporation is not otherwise in default of any requirements of the Act or the rules and regulation made thereunder;

AND UPON considering the application and the recommendation of the 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 and is hereby revoked.

August 5, 2004.

"John Hughes"

2.2.2 Genesys Conferencing Ltd. - s. 13.1 of NI 51-102 and s. 4.5 of MI 52-109

Headnote

Issuer of exchangeable shares exempted from the requirements of NI 51-102 concerning MD&A with respect to interim financial statements and from the requirements in MI 52-109 to file certificates, subject to certain conditions.

Insruments Cited

National Instrument 51-102 – Continuous Disclosure Obligations, sections 5.1, 5.6, 13.1.
Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, section 4.5.

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

AND

IN THE MATTER OF
GENESYS CONFERENCING LTD.

ORDER
(Section 13.1 of NI 51-102 and section 4.5 of MI 52-109)

WHEREAS on March 16, 2001 Genesys Conferencing Ltd. (formerly Astound Inc.) (Genesys Canada) was granted an order (the Original Order) by the Ontario Securities Commission (the Commission) exempting Genesys Canada from the requirements set out in Sections 75, 77, 78, 79, 81, 85, 86, 107, 108 and 109 of the Act, subject to certain conditions, including that Genesys Conferencing S.A. (Genesys S.A.) send to all holders of Exchangeable Shares (as such term is defined in the Original Order) resident in Ontario all disclosure material furnished to holders of Genesys S.A. shares or American Depositary Shares resident in the United States and that Genesys S.A. file with the Commission all documents required to be filed by it with the U.S. Securities and Exchange Commission;

AND WHEREAS Genesys Canada gave notice to the Commission on June 16, 2004 pursuant to Section 13.2 of National Instrument 51-102 – *Continuous Disclosure Obligations* (NI 51-102) of its intention to continue to rely on the Original Order with respect to continuous disclosure requirements existing before NI 51-102 came into force that are substantially similar to provisions of NI 51-102;

AND WHEREAS since the date of the Original Order, Genesys Canada has become subject to certain requirements contained in NI 51-102 and in Multilateral Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* (MI 52-109) from which the Original Order does not provide exemption;

AND WHEREAS Genesys Canada has applied for:

(a) a decision of the Director pursuant to Section 13.1 of NI 51-102 that Genesys Canada be exempted from the requirements of NI 51-102 concerning management's discussion and analysis relating to interim financial statements (the Interim MD&A Requirement); and

(b) a decision of the Director pursuant to Section 4.5 of MI 52-109 that Genesys Canada be exempted from the requirements in MI 52-109 to file certificates;

AND UPON Genesys Canada having represented to the Director that:

1. Genesys S.A., the owner of all the common shares of Genesys Canada, is a public company in France, the shares of which are listed on the *Nouveau Marché* of Euronext Paris (the Paris Bourse) and the American Depository Shares of which are quoted for trading on the NASDAQ National Market;

2. Genesys S.A. is currently subject to the reporting requirements of the *Commission des Opérations de Bourse* and the *Nouveau Marché* of Euronext Paris and is not a reporting issuer in Ontario or under the securities legislation of any other province or territory of Canada. Genesys S.A. is a registrant under the *Securities Exchange Act of 1934* (United States), as amended and files registration statements on Form F-4 with the Securities and Exchange Commission;

3. Genesys Canada's shares are not listed or quoted on any stock market, traded on any automated quotation system or traded on any formal over-the-counter trading system;

4. Genesys Canada completed the transaction contemplated in the Original Order on March 27, 2001 through a plan of arrangement under the *Business Corporations Act* (Ontario) (the Transaction);

5. Genesys Canada is not exempt from the requirements of NI 51-102 and MI 52-109 under Section 13.3 of NI 51-102 and Section 4.3 of MI 52-109, because the Exchangeable Shares issued as a result of the Transaction do not give the holders thereof voting rights that are equivalent to the underlying securities, and thus are not a "designated exchangeable security" for the purposes of that definition in Section 13.3 of NI 51-102;

AND UPON the Director being satisfied that the tests contained in NI 51-102 and MI 52-109 that provide the Director with the jurisdiction to make the following decision have been met;

THE DECISION of the Director pursuant to Section 13.1 of NI 51-102 and Section 4.5 of MI 52-109 is that the Interim MD&A Requirement and the requirement to file certificates under MI 52-109 shall not apply to Genesys Canada, for so long as Genesys Canada and Genesys S.A. comply with the conditions of the Original Order.

August 11, 2004.

"Erez Blumberger"

2.2.3 Nord Pacific Limited - s. 144

Headnote

Section 144 - partial revocation of cease trade order to permit certain trades pursuant to a plan of arrangement.

Statutes Cited

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

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

AND

IN THE MATTER OF
NORD PACIFIC LIMITED

ORDER
(Section 144)

WHEREAS the securities of Nord (the "**Issuer**") are subject to a temporary order of the Director dated July 23, 2001 under paragraph 127(1)2 and subsection 127(5) of the Act and extended by a further order of the Director dated August 3, 2001 (collectively referred to as the "**Cease Trade Order**") directing that trading in the securities of the Issuer cease;

AND WHEREAS the Issuer has applied to the Ontario Securities Commission (the "**Commission**") for an order pursuant to section 144 of the Act for a partial revocation of the Cease Trade Order;

AND WHEREAS Nord has represented to the Commission that:

1. **Nord**

1.1 Nord was continued into the Province of New Brunswick, effective September 30, 1998 and is a reporting issuer in the Provinces of Alberta, British Columbia, New Brunswick and Ontario.

1.2 The principal office of Nord is located at 2727 San Pedro NE, Suite 116, Albuquerque, New Mexico U.S.A. 87110.

1.3 Nord is authorized to issue an unlimited number of common shares (the "**Common Shares**") of which 37,172,320 Common Shares are issued and outstanding as of May 11, 2004.

1.4 As of May 11, 2004, the books of Nord indicate that registered holders resident in the United States hold approximately 17,250,677 Common Shares representing 46% (86% prior to the issuance of Common Shares to Allied on conversion of the Convertible Notes described herein) of the issued and outstanding Common Shares.

1.5 As of March 2, 2004, the books of Nord indicate that one registered holder resident in Canada holds 1,354,013 Common Shares, representing 3.6% of the issued and outstanding Common Shares. This shareholder is Teck Cominco Limited, a large mining and refining company. Searches of beneficial holders indicate that as of March 2, 2004, in addition to the one registered holder of 1,354,013 Common Shares, there were 50 beneficial shareholders of Nord resident in Canada, representing approximately 0.4% of the issued and outstanding Common Shares. Based on searches of beneficial holders conducted March 2, 2004, searches of registered holders conducted May 5, 2004 and the current number of outstanding Common Shares, of the approximately 1,122 shareholders of Nord, the representation in Canada is as follows:

Province	Number of Beneficial Holders (percentage of total holders)		Number of Common Shares held (percentage of Common Shares)	
Alberta	14	(1.25%)	26,500	(0.71%)
British Columbia	19	(1.69%)	67,325	(0.18%)
Ontario	16	(1.43%)	44,050	(0.12%)
Yukon	1	(0.09%)	300	(0.00%)

Province	Number of Beneficial Holders (percentage of total holders)		Number of Common Shares held (percentage of Common Shares)	
Total excluding registered holder	50	(4.46%)	138,175	(0.37%)
Registered holder (resident in British Columbia)	1	(0.09%)	1,354,013	(3.64%)
Total (including registered holder)	51	(4.55%)	1,492,188	(4.01%)

1.6 The Common Shares were previously listed and posted for trading on the Toronto Stock Exchange (the "**TSX**"), but were delisted on July 26, 2002 after a one-year suspension due to Nord failing to meet the minimum listing requirements of the TSX.

1.7 In the United States, the Common Shares trade only on the over-the-counter "Pink Sheets" market. No securities of Nord are traded on a marketplace (as defined in National Instrument 21-101 Marketplace Operation) in Canada. On May 11, 2004, the closing price of the Common Shares on the "Pink Sheets" was US$0.12.

1.8 The Cease Trade Order was issued due to the Issuer's failure to file annual audited financial statements under the Act for the year ended December 31, 2000 and interim financial statements for the first quarter of 2001.

1.9 On August 17, 2001, the Alberta Securities Commission issued a cease trade order against the Issuer and on February 19, 2002, the British Columbia Securities Commission issued a cease trade order against the Issuer.

1.10 On May 5, 2004, Nord filed its annual audited financial statements for the year ended December 31, 2003 on SEDAR (the 2003 Annual Financial Statements) and sent the statements to the Nord shareholders. Prior to this time, Nord had not filed with the Commission, or sent to its shareholders, annual audited financial statements for the years ended December 31, 2000, 2001 and 2002 or the first, second and third quarter interim financial statements for the years 2001, 2002 and 2003, due to a lack of funds necessary to engage the auditors.

2. **Allied**

2.1 Allied Gold Limited ("**Allied**") is a corporation incorporated on May 26, 2003 under the *Corporations Act 2001* (Western Australia).

2.2 The principal office of Allied is located in Welshpool, Western Australia.

2.3 Allied is the equivalent of a reporting issuer in Western Australia and the issued and outstanding ordinary shares of Allied (the "**Ordinary Shares**") are listed on the Australian Stock Exchange under the symbol "ALD".

2.4 The authorized capital of Allied consists of an unlimited number of Ordinary Shares of which 28,500,000 Ordinary Shares were issued and outstanding as of March 2, 2004. Immediately after the Acquisition (defined below) and assuming all the shareholders of Nord exchange their Common Shares for Ordinary Shares, it is expected that there will be 52,170,157 Ordinary Shares issued and outstanding.

3. **Acquisition**

3.1 Allied and Nord have agreed that Allied will acquire all of the Common Shares of Nord in accordance with an arrangement agreement dated December 20, 2003 (the "**Acquisition**"). In connection with the Acquisition, each issued and outstanding Common Share (other than Common Shares held by Allied) will be exchanged for $0.20 Australian to be satisfied through the issuance of one Ordinary Share. In addition, each option and other right to acquire Common Shares (the "**Options**") will be exchanged for Ordinary Shares by determining the value of such Options and paying such amount through the issuance of Ordinary Shares at a rate of $0.20 Australian per Ordinary Share. All of the Options will be cancelled pursuant to the Acquisition. The Options that have economic value will be cancelled in exchange for Ordinary Shares at a rate of one Ordinary Share per $0.20 Australian that such Options are "in the money". The other Options which have no economic value will be cancelled with no payment therefore. If completed, the Acquisition will result in all former shareholders of Nord holding Ordinary Shares of Allied. One holder of $280,000 Australian of subordinated indebtedness of Nord will exchange such indebtedness for Ordinary Shares at a rate of $0.20 Australian of such indebtedness for one Ordinary Share.

3.2 Allied has also agreed to provide a credit facility of up to US$5.4 million (US$2.4 million committed and a further US$3.0 million at the option of Allied) (the "**Credit Facility**") to Nord. The purpose of the Credit Facility

is to provide interim financing to Nord, to pay for operating expenses and to fully satisfy capital commitments of Nord relating to its mineral property joint venture obligations to prevent Nord from having its interest therein diluted by failure to meet cash calls. A portion of the financing is to be used by Nord for the purpose of paying auditors to audit financial statements for the years ended December 31, 2002 and December 31, 2003, local counsel and advisors to complete the 2003 Nord 10-KSB and to apply for certain exemptions from Canadian securities laws in order to reasonably facilitate the Acquisition. Nord is entitled to draw down on the Credit Facility by issuing convertible notes to Allied (the "**Convertible Notes**"). The Convertible Notes bear interest at LIBOR plus 2%, mature on December 31, 2005 and are convertible, at the option of Allied, into Common Shares at staged rates varying from US$0.05 to US$0.25 per Common Share.

3.3 Currently, Nord has drawn down US$1,075,792 for these purposes and issued Series A Convertible Notes to Allied (the "**Series A Notes**") in the aggregate amount of US$600,000 which are convertible into Common Shares at a rate of $0.05 per share and Series B Convertible Notes (the "**Series B Notes**") in the aggregate amount of US$475,792 which are convertible into Common Shares at a rate of $0.10 per share. As of May 11, 2004, Allied had exercised its option to convert all of the Series A Notes and $443,365 Series B Notes into an aggregate of 16,433,650 Common Shares.

3.4 The Acquisition will be subject to the approval of the holders of Common Shares and Options of Nord and the holders of Ordinary Shares of Allied. Nord and Allied will hold securityholder meetings to obtain such approvals (collectively, the "**Securityholder Meetings**").

3.5 The Acquisition will be effected by Nord obtaining court approval for a plan of arrangement under the *Business Corporations Act* (New Brunswick).

3.6 The board of directors of Nord has unanimously determined that the Acquisition is in the best interests of Nord and to recommend the Acquisition to securityholders and to recommend that securityholders of Nord vote in favor of the Acquisition.

3.7 The holders of Common Shares and Options of Nord and the holders of Ordinary Shares of Allied will, in connection with the Securityholder Meetings, be provided with a joint information circular containing prospectus level disclosure on Allied and including sufficient information for securityholders to form a reasoned judgment on the Acquisition (the "**Joint Information Circular**"). The Joint Information Circular will also include the disclosure contained in the 2003 Nord 10-KSB, including the 2003 Annual Financial Statements of Nord.

3.8 Nord Resources Corporation, each of the directors of Nord and certain other shareholders of Nord comprising an aggregate of 43% of the outstanding Common Shares at the time (the "**Principal Shareholders**"), entered into a voting support agreement with Allied pursuant to which the Principal Shareholders have undertaken to vote or cause to be voted all their shares of Nord in favour of the Acquisition.

3.9 Following the successful completion of the Acquisition, all of the outstanding securities of Nord will be beneficially held directly or indirectly by Allied. Allied will as soon as practicable apply and cause Nord to apply to cease to be a reporting issuer in all applicable jurisdictions in Canada.

AND WHEREAS the Commission's power to make the Order has been assigned to the Director;

AND UPON the Director being satisfied that to grant this Order would not be prejudicial to the public interest;

IT IS ORDERED, pursuant to section 144 of the Act, that the Cease Trade Order be and is hereby varied solely to permit:

(a) the transfer of Common Shares and Options to Allied;

(b) the cancellation of Options;

(c) the transfer of $280,000 Australian subordinated indebtedness of Nord to Allied; and

(d) all other acts in furtherance of the Acquisition that may be "trades" under the Act.

August 13, 2004.

"Iva Vranic"

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
Cabletel Communications Corp.	18 Aug 04	30 Aug 04		
Transpacific Resources Inc.	03 Aug 04	13 Aug 04	13 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		18 Aug 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
CRMnet.com Inc.	**05 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
30-Jul-2004	3 Purchasers	519719 Ontario Inc. c/o Arnon Corporation - Mortgage	22,000,000.00	3.00
30-Jul-2004	3 Purchasers	6207766 Canada Inc. - Notes	20,931,123.00	3.00
30-Jul-2004	3 Purchasers	6207766 Canada Inc. - Shares	12,758,116.32	12,758,247.00
27-Jul-2004	Mary Skerrett	Acuity Pooled Balanced Fund - Trust Units	150,111.78	8,584.00
27-Jul-2004 to 04-Aug-2004	Pierre Paradis Leonard Heng Hok Ng	Acuity Pooled Growth and Income Fund - Trust Units	320,800.00	32,080.00
28-Jul-2004 to 04-Aug-2004	12 Purchasers	Acuity Pooled High Income Fund - Trust Units	1,818,687.68	102,260.00
30-Jul-2004 to 03-Aug-2004	3 Purchasers	Acuity Pooled Income Trust Fund - Trust Units	225,000.00	14,880.00
01-Apr-2003 to 30-Sept-2003	3 Purchasers	AGF American Growth Class - Units	6,290,328.00	322,384.00
01-Apr-2003 to 30-Sept-2003	Transamerica Life	AGF Canadian Balanced Fund - Units	677,234.00	38,248.00
01-Apr-2003 to 30-Sept-2003	3 Purchasers	AGF Canadian Bond Fund - Units	15,266,606.00	2,831,265.00
01-Apr-2003 to 30-Sept-2003	Manulife Financial	AGF Canadian Conservative Income Fund - Units	146,383.00	15,548.00
01-Apr-2003 to 30-Sept-2003	4 Purchasers	AGF Canadian Stock Fund - Units	9,914,856.00	346,053.00
01-Apr-2003 to 30-Sept-2003	Transamerica Life	AGF Global Financial Services Class - Units	13,013.00	2,112.00
01-Apr-2003 to 30-Sept-2003	Transamerica Life and Credit Suisse First Boston	AGF Global Government Bond Fund - Units	2,692,646.00	239,149.00

01-Apr-2003 to 30-Sept-2003	Transamerica Life	AGF International Stock Class - Units	467,338.00	53,817.00
01-Apr-2003 to 30-Sept-2003	Transamerica Life and Credit Suisse First Boston	AGF International Value Fund - Units	9,489,803.00	273,533.00
01-Apr-2003 to 30-Sept-2003	Manulife Financial and Aegon Fund Mangement	AGF RSP American Growth Fund - Units	353,503.00	113,908.00
01-Apr-2003 to 30-Sept-2003	Credit Asset Management	AGF RSP European Equity Fund - Units	44,219.00	7,506.00
01-Apr-2003 to 30-Sept-2003	Credit Asset Management and Scotia Capital Inc.	AGF RSP International Value Fund - Units	5,020,483.00	1,097,332.00
01-Apr-2003 to 30-Sept-2003	Transamerica Life	AGF U.S. Value Class - Units	55,572.00	10,997.00
04-Aug-2004	21 Purchasers	Alegro Health Corp. - Units	1,330,000.00	5,320,000.00
16-Jul-2004	MDS Life Science NC ML II Co-Investment Fund Limited Partnership	Alveolus Inc. - Shares	3,914,458.38	9,320,139.00
12-Jun-2004	3 Purchasers	Arcan Resources Ltd. - Flow-Through Shares	82,500.00	75,000.00
19-Jul-2004	10 Purchasers	Asian Mineral Resources Limited - Units	160,877.36	287,281.00
28-Jul-2004	3 Purchasers	Astris Energi Inc. - Units	140,000.00	250,000.00
23-Jun-2004	T.A.L. Global Asset	AU Optronics Corp. - Common Shares	560,000.00	35,000.00
13-Jul-2004	Citysource Net Co.	Balaton Power Inc. - Units	520,942.50	1,602,900.00
30-Jul-2004	8 Purchasers	BCS Global Networks Inc. - Debentures	255,000.00	255.00
30-Jul-2004	4 Purchasers	BCS Global Networks Inc. - Warrants	0.00	888,000.00
05-Aug-2004	Linda Dushnisky Kevin Dushnisky	Blackstone Ventures Inc. - Units	10,000.00	20,000.00
30-Jul-2004	3 Purchasers	BMB Munai, Inc. - Common Shares	259,200.00	64,800.00
23-Jul-2004	Boliden Limited	Breakwater Resources Ltd. - Warrants	0.00	18,000,000.00
28-Jul-2004	RCM Capital Management	Bucyrus International, Inc. - Shares	46,800.00	2,600.00
10-Aug-2004	3 Purchasers	Burmis Energy Inc. - Flow-Through Shares	4,368,000.00	2,400,000.00

30-Jul-2004	Royal Capital Management Corp.	Canquest Communications (Canada) Inc. - Debentures	1,200,000.00	1.00
23-Jul-2004	Royal Capital Management Corp.	Canquest Communications (Canada) Inc. - Warrants	5.00	500,000.00
03-Aug-2004	6 Purchasers	Cellbucks Payments Networks Inc. - Common Shares	249,062.00	101,531.00
23-Jul-2004 to 29-Jul-2004	Centaur Bond Fund	Centaur Bond Fund - Units	190,977.12	19,486.15
23-Jul-2004 to 29-Jul-2004	Centaur Bond Fund	Centaur Bond Fund - Units	6,870.07	867.00
23-Jul-2004 to 29-Jul-2004	Centaur Canadian Equity	Centaur Canadian Equity - Units	196,668.83	2,221.00
23-Jul-2004 to 29-Jul-2004	Centaur Money Market	Centaur Money Market - Units	124,572.20	12,457.00
23-Jul-2004 to 29-Jul-2004	Centaur Small Cap	Centaur Small Cap - Units	17,245.61	289.00
23-Jul-2004 to 29-Jul-2004	Centaur US Equity	Centaur US Equity - Units	104,012.02	2,541.00
10-Aug-2004	4 Purchasers	Century Aluminum Company - Notes	4,270,185.00	3,250,000.00
09-Aug-2004	John Brady	Champion Bear Resources Ltd. - Common Shares	50,000.00	50,000.00
06-Aug-2004	4 Purchasers	CML Healthcare Inc. - Notes	76,500,000.00	76,500,000.00
06-Jul-2004	CIBC World Markets Inc.	Comet Trust - Notes	4,000,000.00	4,000,000.00
04-Aug-2004	4 Purchasers	Commander Resources Ltd. - Common Shares	885,600.00	1,476,000.00
31-Jul-2004	3 Purchasers	Contemporary Investment Corp. - Common Shares	345,750.00	345,750.00
04-Aug-2004	Credit Risk Advisors	Credit Suisse First Boston Corporation - Notes	1,312,500.00	1.00
05-Aug-2004	10 Purchasers	Dynacor Mines Inc. - Units	140,000.00	500,000.00
10-Aug-2004	4 Purchasers	Euston Capital Corp. - Common Shares	9,000.00	3,000.00
23-Jul-2004 to 03-Aug-2004	5 Purchasers	First Leaside Opportunities Limited Partnership - Limited Partnership Units	222,598.00	168,636.00

27-Jul-2004 to 05-Aug-2004	David & Lisette Sangster	Fisgard Capital Corporation - Shares	10,000.00	10,000.00
22-Jul-2004	4 Purchasers	Fisher Scientific International Inc. - Notes	7,341,400.00	5,500.00
30-Jul-2004	13 Purchasers	Fortune Minerals Limited - Flow-Through Shares	3,003,000.00	924,000.00
04-Aug-2004	37 Purchasers	Galleon Energy Inc. - Shares	20,856,000.00	2,607,000.00
05-Aug-2004	Scarfone Hawkins LLP	Gallery Resources Limited - Units	16,000.00	200,000.00
04-Aug-2004	John R. Hislop J. Bradley Windt	Gemini Energy Corp. - Convertible Debentures	10,000,000.00	2.00
01-Aug-2004	1258701 Ontario Ltd.	Goldman Sachs Global Tactical Trading III plc - Shares	8,500,000.00	85,000.00
06-Aug-2004	5 Purchasers	Hawker Resources Inc. - Flow-Through Shares	8,008,250.00	1,555,000.00
29-Jul-2004	4 Purchasers	Heritage Explorations Ltd. - Flow-Through Shares	669,760.00	2,392,000.00
29-Jul-2004	St Andrew Goldfields Ltd.	Heritage Explorations Ltd. - Units	650,000.00	2,600,000.00
31-Jul-2004	William SInclair	IatroQuest Corporation - Preferred Shares	45,000.00	81,922.00
30-Jul-2004	John Clinton RCA	KBSH - Arrow Multi-Strategy Fund - Units	100,000.00	9,659.00
28-Jul-2004	10 Purchasers	Keeper Resources Inc. - Common Shares	315,865.00	720,923.00
28-Jul-2004	3 Purchasers	Kenrich Eskay Mining Corp. - Flow-Through Shares	1,111,000.00	2,020,000.00
30-Jul-2004	9 Purchasers	Kensington Capital Partners Limited - Units	2,450,000.00	2,450.00
30-Jul-2004	Golda Goldman	Kingwest Avenue Portfolio - Units	200,000.00	9,441.00
03-Aug-2004	Dr. Richard Moron Terry O'Hara and Delta O'Hara	Magenta Mortgage Investment Corporation - Shares	130,000.00	13,000.00
10-Aug-2004	Canada Dominion Resource CMP 2004 Resource LP	Marauder Resources East Coast Inc. - Flow-Through Shares	16,625,000.00	8,750,000.00
29-Jul-2004	BMO Nesbitt Burns Inc.	Marshall & Ilsley Corporation - Shares	250,000.00	10,000.00
26-Jul-2004	The VenGrowth II Investment Fund Inc.	Meriton Networks Canada Inc. - Units	984,147.25	984,147.00

26-Jul-2004 to 30-Jul-2004	4 Purchasers	Meriton Networks Inc. - Units	1,535,269.73	553,091.00
05-Aug-2004	4 Purchasers	Microsource Online, Inc. - Common Shares	24,000.00	4,000.00
28-Jul-2004	Teabar Capital Corporation	MIV Holdings SA - Loans	19,686,885.00	2.00
28-Jul-2004	Teabar Capital Corporation	MIV Holdings SA - Shares	19,686,885.67	19,686,886.00
27-May-2004 to 25-Jun-2004	28 Purchasers	New Hudson Television Corp. - Shares	45,000.00	15,000.00
01-Jul-2004	Erwin and Brigitte Wittich	New Solutions Financial (II) Corporation - Debentures	500,000.00	1.00
19-May-2004	David Sharpe	New Solutions Financial (II) Corporation - Debentures	100,000.00	1.00
26-Jul-2004	Ventures West 8 Limited Partnership	NovaDaq Technologies Inc. - Common Shares	944,992.00	3,129,906.00
26-Jul-2004	Ventures West 8 Limited Partnership	NovaDaq Technologies Inc. - Preferred Shares	3,950,010.00	2,607,267.00
06-Aug-2004	Al Meghji	Paragon Pharmacies Ltd. - Common Shares	49,999.50	33,333.00
28-Jul-2004	Ronald N. Little	PMI Ventures Ltd. - Units	14,000.00	50,000.00
06-Aug-2004	Nahid Shaygan	Printlux.com Inc. - Units	10,000.00	10,000.00
05-Aug-2004	Lorraine Hughes	Recognia Inc. - Notes	5,000.00	1.00
28-Jul-2004 to 04-Aug-2004	5 Purchasers	RepeatSeat Inc. - Units	152,000.00	190,000.00
30-Jul-2004	Canadian Dominion Resources 2004 LP and CMP 2004 Resources Limited Partnership	Rising Tide Oil & Gas Ltd. - Common Shares	1,000,000.00	1,600,000.00
30-Jul-2004	Video One Canada Ltd.	ROW Entertainment Income Fund - Units	37,000,000.00	37,000,000.00
01-Jul-2004 to 30-Jul-2004	3142 Purchasers	Second World Trader Inc. - Units	9,148,324.00	32,801.00
05-Aug-2004	11 Purchasers	Serica Energy Corporation - Warrants	2,725,000.00	3,406,250.00
30-Jul-2004	Promittere Capital Group	Sherwood Gate LP - Units	76,674.01	1.00
21-Jul-2004	Gowlings Canada Inc.	Sonic Mobility Inc. - Common Shares	25,252.00	10,101.00
01-Aug-2004	Paul J. Schellenberg	Stacey Investment Limited Partnership - Limited Partnership Units	50,019.20	1,595.00

31-Jul-2004	Geoffrey E. Harcourt	Stacey RSP Fund - Trust Units	26,354.82	2,670.00
29-Jul-2004	8 Purchasers	Storm Exploration Inc. - Flow-Through Shares	4,296,250.00	1,227,500.00
30-Jul-2004	Larry Smith Cy and Anne Burchell	Stylus Growth Fund - Units	1,150,000.00	112,695.00
30-Jul-2004	11 Purchasers	Stylus Momentum Fund - Units	2,903,415.04	284,292.00
30-Jul-2004	Marni Przybylski Cy and Anne Burchell	Stylus Value with Income Fund - Units	1,233,755.19	121,102.00
03-Aug-2004	NBLB Holdings Inc.	The Alpha Fund - Limited Partnership Units	73,355.47	140,938.00
30-Jul-2004	6 Purchasers	The McElvaine Investment Trust - Trust Units	270,000.00	13,229.00
06-Aug-2004	4 Purchasers	The Strand Tandem Investment Trust - Trust Units	140,000.00	28.00
30-Jul-2004	Covington Fund II Inc. Dynamic Venture Opportunities Fund Ltd.	ThinkFilm Corp. - Common Shares	5,000,000.00	4,800,000.00
30-Jul-2004	36 Purchasers	TTi Turner Technology Instruments Inc. - Common Shares	853,500.00	3,414.00
06-Aug-2004	67 Purchasers	Unisphere Waste Conversion Ltd. - Debentures	6,996,000.00	6,996,000.00
31-Jul-2004	Mr. Frank Strittmatter	Value Contrarian Canadian Equity Fund - Units	50,000.00	50,000.00
27-Jul-2004	Royal Trust Corporation	Ventures West 8 Limited Partnership - Limited Partnership Units	12,500,000.00	12,500.00
31-Jul-2004	5 Purchasers	Waterfall Vanilla L.P. - Limited Partnership Units	800,000.00	800.00
06-Aug-2004	3 Purchasers	Wellington Polymer Technology Inc. - Debentures	2,000,000.00	2,000,000.00
23-Jul-2004 to 03-Aug-2004	Hayley Hung	Wimberly Apartments Limited Partnership - Limited Partnership Units	66,000.00	67,567.00
23-Jul-2004 to 03-Aug-2004	Hayley Hung Paula Wintraub	Wimberly Apartments Limited Partnership - Notes	104,200.00	2.00
29-Jul-2004	4 Purchasers	Win Energy Corporation - Common Shares	400,000.00	500,000.00

Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Alexis Nihon Real Estate Investment Trust
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated August 13, 2004
Mutual Reliance Review System Receipt dated August 13, 2004
Offering Price and Description:
$55,000,000.00 - Series A 6.20% Convertible Unsecured Subordinated Debentures
Price: $1,000.00 per Debenture
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
Desjardins Securities Inc.
TD Securities Inc.
Canaccord Capital Corporation
Promoter(s):
-
Project #677075

Issuer Name:
Bissett Canadian Tax Class
Canadian Small Cap Fund
Bissett Canadian Fund
Franklin Templeton Canadian Growth Tax Class Portfolio
Franklin Templeton Canadian Growth Portfolio
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated August 10, 2004
Mutual Reliance Review System Receipt dated August 11, 2004
Offering Price and Description:
Series A, F and O Units
Series A, F and O Shares
Series A, F and O Units of Quotential Portfolios
Underwriter(s) or Distributor(s):
Franklin Templeton Investment Corp.
Franklin Templeton Investments Corp.
Promoter(s):
-
Project #675205

Issuer Name:
Calfrac Well Services Ltd.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated August 12, 2004
Mutual Reliance Review System Receipt dated August 12, 2004
Offering Price and Description:
$28,400,000.00 - 1,000,000 Common Shares Price: $28.40 per Common Share
Underwriter(s) or Distributor(s):
Peters & Co. Limited
FirstEnergy Capital Corp.
RBC Dominion Securities Inc.
CIBC World Markets Inc.
Sprott Securities Inc.
Promoter(s):
-
Project #676328

Issuer Name:
Commercial Solutions Inc.
Principal Regulator - Alberta
Type and Date:
Preliminary Prospectus dated August 13, 2004
Mutual Reliance Review System Receipt dated August 16, 2004
Offering Price and Description:
$ * - * Common Shares Price: $ * per Common Share
Underwriter(s) or Distributor(s):
Paradigm Capital Inc.
Canaccord Capital Corporation
Promoter(s):
James Barker
Project #677773

Issuer Name:
Liquor Stores Income Fund
Principal Regulator - Alberta
Type and Date:
Preliminary Prospectus dated August 16, 2004
Mutual Reliance Review System Receipt dated
Offering Price and Description:
$ * - * Units - Price: $10.00 per Unit
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
TD Securities Inc.
Canaccord Capital Corporation
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Promoter(s):
The Liquor Depot Corporation
Liquor World Group Inc.
Project #678410

Issuer Name:
Longford Corporation
Principal Regulator - Ontario
Type and Date:
Amended and Restated Preliminary CPC Prospectus dated August 11, 2004
Mutual Reliance Review System Receipt dated August 12, 2004
Offering Price and Description:
MINIMUM OFFERING: $400,000 or 4,000,000 Common Shares
MAXIMUM OFFERING: $500,000 or 5,000,000 Common Shares
PRICE: $0.10 per Common Share
Underwriter(s) or Distributor(s):
First Associates Investments Inc.
Promoter(s):
Gerald McCarvill
Project #667291

Issuer Name:
Premium Income Corporation
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated August 13, 2004
Mutual Reliance Review System Receipt dated August 16, 2004
Offering Price and Description:
(Maximum) $100 Million
$60 Million * Preferred Shares (Maximum)
$40 Million *Class A Shares (Maximum)
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
Scotia Capital Inc.
TD Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
HSBC Securities (Canada) Inc.
Canaccord Capital Corporation
Desjardins Securities Inc.
Dundee Securities Corporation
Raymond James Ltd.
First Associates Investments Inc.
Mulvihill Capital Management Inc.
Promoter(s):
Mulvihill Capital Management Inc.
Project #677528

Issuer Name:
Qwest Energy 2004 Financial Corp.
Qwest Energy 2004 Flow-Through Limited Partnership
Principal Regulator - British Columbia
Type and Date:
Preliminary Prospectuses dated August 9, 2004
Mutual Reliance Review System Receipt dated August 11, 2004
Offering Price and Description:
QWEST ENERGY 2004 FLOW-THROUGH LIMITED PARTNERSHIP
Maximum Offering: $25,000,000 (250,000 LP Units)
Minimum Offering: $5,000,000 (50,000 LP Units)
and
QWEST ENERGY 2004 FINANCIAL CORP.
Maximum Offering: $25,000,000 (250,000 RRSP Bonds)
Minimum Offering: $1,000,000 (10,000 RRSP Bonds)
LP Unit Price: $100.00 per LP Unit RRSP Bond Price: $100.00 per RRSP Bond
Minimum LP Unit Purchase: 50 LP Units Minimum RRSP Bond Purchase: 50 RRSP Bonds
Underwriter(s) or Distributor(s):
Dundee Securities Corporation
Promoter(s):
Qwest Energy Holdings Corp.
Project #675115 & 675113

Issuer Name:
AIM Trimark Dialogue Allocation Fund
Trimark Interest Fund
AIM Canada Money Market Fund
AIM Short-Term Income Class of AIM Global Fund Inc.
Trimark U.S. Money Market Fund
Trimark Government Income Fund
Trimark Canadian Bond Fund
Trimark Advantage Bond Fund
Trimark Global High Yield Bond Fund
Trimark Income Growth Fund
Trimark Select Balanced Fund
AIM Canadian Balanced Fund
Trimark Global Balanced Fund
Trimark Global Balanced Class of AIM Global Fund Inc.
AIM Canada Income Class of AIM Canada Fund Inc.
Trimark Canadian Fund
Trimark Canadian Endeavour Fund
Trimark Select Canadian Growth Fund
AIM Canadian First Class of AIM Canada Fund Inc.
AIM Canadian Premier Fund
AIM Canadian Premier Class of AIM Canada Fund Inc.
Trimark Canadian Small Companies Fund
Trimark U.S. Companies Fund
Trimark U.S. Companies Class of AIM Global Fund Inc.
AIM American Growth Fund
AIM American Mid Cap Growth Class of AIM Global Fund Inc.
Trimark U.S. Small Companies Class of AIM Global Fund Inc.
Trimark Fund
Trimark Select Growth Fund
Trimark Select Growth Class of AIM Global Fund Inc.
AIM Global Theme Class of AIM Global Fund Inc.
Trimark Global Endeavour Fund
Trimark Global Endeavour Class of AIM Global Fund Inc.
Trimark International Companies Fund
AIM International Growth Class of AIM Global Fund Inc.
Trimark Europlus Fund
AIM European Growth Fund
AIM European Growth Class of AIM Global Fund Inc.
AIM Indo-Pacific Fund
Trimark Canadian Resources Fund
Trimark Discovery Fund
AIM Global Health Sciences Fund
AIM Global Health Sciences Class of AIM Global Fund Inc.
AIM Global Technology Fund
AIM Global Technology Class of AIM Global Fund Inc.
Trimark RSP Global High Yield Bond Fund
Trimark RSP Global Balanced Fund
Trimark RSP U.S. Companies Fund
AIM RSP American Growth Fund
Trimark RSP Fund
Trimark RSP Select Growth Fund
AIM RSP Global Theme Fund
Trimark RSP Global Endeavour Fund
Trimark RSP International Companies Fund
AIM RSP International Growth Fund
Trimark RSP Europlus Fund
AIM RSP European Growth Fund
AIM RSP Indo-Pacific Fund
Trimark RSP Discovery Fund
AIM RSP Global Health Sciences Fund
AIM RSP Global Technology Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated August 13, 2004
Mutual Reliance Review System Receipt dated August 16, 2004
Offering Price and Description:
Series A Shares and Units, Series SC and Series DSC Units (Series SC Units, Series B Shares, Series D Shares and Units, Series F Shares and Units, and Series I Shares and Units)
Underwriter(s) or Distributor(s):
AIM Funds Management Inc.
AIM Funds Management Inc.
AIM Funds Group Canada Inc.
Promoter(s):
AIM Funds Management Inc.
Project #665039

Issuer Name:
AIM Trimark Core Canadian Balanced Class of AIM Canada Fund Inc.
AIM Trimark Core Canadian Equity Class of AIM Canada Fund Inc.
AIM Trimark Core American Equity Class of AIM Global Fund Inc.
AIM Trimark Core Global Equity Class of AIM Global Fund Inc.
AIM Trimark RSP Core American Equity Fund
AIM Trimark RSP Core Global Equity Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated August 13, 2004
Mutual Reliance Review System Receipt dated August 16, 2004
Offering Price and Description:
Series A, Series F and Series I Shares and Series A and Series F Units @ Net Asset Value
Underwriter(s) or Distributor(s):
AIM Funds Management Inc.
Promoter(s):
AIM Funds Management Inc.
Project #665003

Issuer Name:
Centurion Energy International Inc.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated August 11, 2004
Mutual Reliance Review System Receipt dated August 11, 2004
Offering Price and Description:
$19,999,999.80 - 6,060,606 Common Shares at $3.30 per Common Share
Underwriter(s) or Distributor(s):
GMP Securities Ltd.
Promoter(s):
-
Project #671694

Issuer Name:
CIBC Canadian T-Bill Fund
CIBC Premium Canadian T-Bill Fund
CIBC Money Market Fund
CIBC U.S Dollar Money Market Fund
CIBC High Yield Cash Fund
CIBC Mortgage and Short-Term Income Fund
CIBC Canadian Bond Fund
CIBC Monthly Income Fund
CIBC Global Bond Fund
CIBC Balanced Fund
CIBC Dividend Fund
CIBC Core Canadian Equity Fund
Canadian Imperial Equity Fund
CIBC Capital Appreciation Fund
CIBC Canadian Small Companies Fund
CIBC Canadian Emerging Companies Fund
CIBC U.S. Small Companies Fund
CIBC Global Equity Fund
CIBC European Equity Fund
CIBC Japanese Equity Fund
CIBC Emerging Economies Fund
CIBC Far East Prosperity Fund
CIBC Latin American Fund
CIBC International Small Companies Fund
CIBC Financial Companies Fund
CIBC Canadian Resources Fund
CIBC Energy Fund
CIBC Canadian Real Estate Fund
CIBC Precious Metals Fund
CIBC North American Demographics Fund
CIBC Global Technology Fund
CIBC Canadian Short-Term Bond Index Fund
CIBC Canadian Bond Index Fund
CIBC Global Bond Index Fund
CIBC Canadian Index Fund
CIBC U.S. Equity Index Fund
CIBC U.S. Index RRSP Fund
CIBC International Index Fund
CIBC International Index RRSP Fund
CIBC European Index Fund
CIBC European Index RRSP Fund
CIBC Japanese Index RRSP Fund
CIBC Emerging Markets Index Fund
CIBC Asia Pacific Index Fund
CIBC Nasdaq Index Fund
CIBC Nasdaq Index RRSP Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated August 12, 2004
Mutual Reliance Review System Receipt dated August 13, 2004
Offering Price and Description:
Mutual Fund Units @ Net Asset Value
Underwriter(s) or Distributor(s):
CIBC Securities Inc.
Promoter(s):
-
Project #651314

Issuer Name:
GGOF Enterprise Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated August 9, 2004 to Final Simplified Prospectus and Annual Information Form dated July 7, 2004
Mutual Reliance Review System Receipt dated August 11, 2004
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Guardian Group of Funds Ltd.
Guardian Group of Funds Ltd.
Jones Heward Investment Management Inc.
Promoter(s):
Guardian Group of Funds Ltd.
Project #658660

Issuer Name:
IG Bissett Canadian Equity Class
IG Mackenzie Universal Global Future Class
Principal Regulator - Manitoba
Type and Date:
Final Simplified Prospectuses dated August 6, 2004
Mutual Reliance Review System Receipt dated August 11, 2004
Offering Price and Description:
Mutual Fund Shares - Series A and B
Underwriter(s) or Distributor(s):
Investors Group Financial Services Inc.
Les Services Investors Limitee
Investors Group Financial Services Inc.
Promoter(s):
-
Project #657869

Issuer Name:
IG Bissett Canadian Equity Fund
Principal Regulator - Manitoba
Type and Date:
Final Simplified Prospectus dated August 6, 2004
Mutual Reliance Review System Receipt dated August 11, 2004
Offering Price and Description:
Series A Shares and Series B Shares
Underwriter(s) or Distributor(s):
Investors Group Financial Services Inc.
Investors Group Financial Services Inc.
Promoter(s):
Investors Group Financial Services Inc.
Project #656773

Issuer Name:
INDEXPLUS 2 INCOME FUND
Type and Date:
Final Prospectus dated August 11, 2004
Receipted on August 12, 2004
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
Middlefield Group Limited
Middlefield Indexplus 2 Management
Project #650508

Issuer Name:
iUnits Government of Canada 5-Year Bond Fund
iUnits Government of Canada 10-Year Bond Fund
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated August 13, 2004
Mutual Reliance Review System Receipt dated August 17, 2004
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Barclays Global Investors Canada Limited
Promoter(s):
-
Project #666698

Issuer Name:
iUnits S&P/TSX 60 Index Fund
iUnits S&P/TSX 60 Capped Index Fund
iUnits S&P/TSX MidCap Index Fund
iUnits S&P/TSX Capped Energy Index Fund
iUnits S&P/TSX Capped Information Technology Index Fund
iUnits S&P/TSX Capped Gold Index Fund
iUnits S&P/TSX Capped Financials Index Fund
iUnits S&P/TSX Capped REIT Index Fund
Principal Regulator - Ontario
Type and Date:
Final Prospectuses dated August 13, 2004
Mutual Reliance Review System Receipt dated August 17, 2004
Offering Price and Description:
Units @ Net Asset Value
Underwriter(s) or Distributor(s):
Barclays Global Investors Canada Limited
Promoter(s):
-
Project #666671

Issuer Name:
Open Range Capital Corp.
Principal Regulator - Alberta
Type and Date:
Final CPC Prospectus dated August 9, 2004
Mutual Reliance Review System Receipt dated August 11, 2004
Offering Price and Description:
$400,000.00 - (4,000,000 Common Shares) Price: $0.10 per Common Share
Underwriter(s) or Distributor(s):
Investpro Securities Inc.
Promoter(s):
William C. Macdonald
Hugh M. Thomson
Project #658414

Issuer Name:
Taylor NGL Limited Partnership
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated August 12, 2004
Mutual Reliance Review System Receipt dated August 12, 2004
Offering Price and Description:
$52,965,000.00 - 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:
West Fraser Timber Co. Ltd.
Principal Regulator - British Columbia
Type and Date:
Final Short Form Prospectus dated August 12, 2004
Mutual Reliance Review System Receipt dated August 13, 2004
Offering Price and Description:
$275,044,000 - 5,852,000 Subscription Receipts at a price of $47.00 per Subscription Receipt, each representing the right to receive one Common Share of the company
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
TD Securities Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
Raymond James Ltd.
Salman Partners Inc.
Promoter(s):
-
Project #672081

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	Banca IMI Securities Corp.	International Dealer	August 6, 2004
New Registration	Aetos Alternatives Management, LLC	International Adviser, Investment Counsel & Portfolio Manager	August 4, 2004
New Registration	Bioscience Managers Limited	Non-Canadian Adviser, Investment Counsel and Portfolio Manager	August 10, 2004
New Registration	Bayport Capital Corporation	Limited Market Dealer	August 13, 2004
New Registration	Miller Tabak + Co., LLC	International Dealer	August 10, 2004
New Registration	Natcan Investment Management Inc.	Limited Market Dealer	August 11, 2004
Change in Category	SD Baker & Associates Inc.	From: Investment Counsel/Portfolio Manager and Limited Market Dealer To: Investment Counsel/Portfolio Manager	August 11, 2004
New Registration	Succession Strategies Inc.	Limited Market Dealer	August 13, 2004
New Registration	Bijou Securities Inc.	Limited Market Dealer	August 16, 2004

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 RS Market Integrity Notice – Request for Comments – Provisions Respecting "Off-Marketplace" Trades

August 20, 2004 **No. 2004-018**

RS MARKET INTEGRITY NOTICE

REQUEST FOR COMMENTS

PROVISIONS RESPECTING "OFF-MARKETPLACE" TRADES

Summary

The Board of Directors of Market Regulation Services Inc. ("RS") has approved a series of amendments to the Universal Market Integrity Rules ("UMIR") and the Policies respecting the ability of Participants and Access Persons to conduct trades of listed or quoted securities other than by the entry of orders on a marketplace. In particular, the amendments would require a Participant, when handling a principal or non-client order, to make reasonable efforts to fill better-priced orders on marketplaces prior to executing a trade at an inferior price in a transaction undertaken other than on a Canadian marketplace. The amendments would impose a similar obligation on an Access Person when that person is trading directly and the order is not being handled by a registered dealer. In the case of large block trades, the amendments would provide a mechanism to cap the obligation to fill better-priced orders to the disclosed volume of better-priced orders indicated on a consolidated market display. The amendments also make a number of additional consequential changes to UMIR including the provision of definitions for the terms "organized regulated market", "Canadian account", "non-Canadian account" and "trading increment".

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 National Instrument 23-101 ("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 proposed amendments respecting "off-marketplace" trades 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 the approval of the changes by the Recognizing Regulators following public notice and comment. Comments on the proposed changes to UMIR should be in writing and delivered by **October 19, 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

Current Requirements

UMIR requires dealers who have access to a Canadian marketplace to trade in securities only by means of the entry of an order on a Canadian marketplace unless the trade specifically is exempted from that requirement. When trading on behalf of a client, a dealer is not able to bypass "better-priced" orders on a marketplace in order to trade over-the-counter or on a foreign market at an inferior price. RS is proposing amendments to UMIR such that the execution by a Participant of a principal order or non-client order over-the-counter or on a foreign market at an inferior price would be considered contrary to the requirement to conduct business openly and fairly when dealing in securities that are eligible to be traded on a marketplace. Similarly, the amendments propose that an Access Person, when trading directly and not through a Canadian dealer, would be under an obligation not to bypass "better-priced" orders on a marketplace.

However, the proposal also recognizes the problems that dealers have in completing pre-arranged trades or wide distributions of significant blocks of stock in circumstances when "iceberg orders" (orders with an undisclosed volume) create uncertainties over the amount of "interference" which the block trade may encounter if the dealer must "move" the market for the security to facilitate the transaction on a marketplace. The proposal recommends that the obligation to displace "better-priced" orders displayed in a consolidated display be limited to the "disclosed volume". This proposal reaffirms that a dealer be able to complete principal trades with a Canadian client account on an "organized regulated market" outside of Canada provided the dealer has first met its obligation to the Canadian market by filling the "better-priced" orders on Canadian marketplaces as disclosed in a consolidated market display.

For the purposes of UMIR, a "marketplace" is defined as an Exchange, a recognized quotation and trade reporting system ("QTRS") or an ATS and a "Participant" is defined essentially as a dealer registered in accordance with securities legislation of any jurisdiction and who is a member of an Exchange, a user of a QTRS or a subscriber to an ATS. UMIR permits the entry of an order other than on a marketplace, including the entry of an order outside of Canada, under the conditions specifically enumerated in Rule 6.4. However, even though the order may be exempt from having to be entered on a marketplace, certain provisions of UMIR will continue to apply to a Participant entering the order. For example, Rule 2.1 of UMIR requires a Participant to transact business openly and fairly and in accordance with just and equitable principles of trade when trading on a marketplace or trading or otherwise dealing in securities which are eligible to be traded on a marketplace.

In certain circumstances, a Participant may agree to take on a block of stock of a listed or quoted security from a shareholder at a discount to the prevailing market. Ordinarily, this trade would be completed by the execution of an order on a marketplace (being an Exchange, a QTRS or an ATS in Canada). However, if the person from whom the block of stock is acquired is:

- a "non-Canadian account" the Participant can complete the trade outside of Canada (including in an over-the-counter transaction) provided "such trade is reported to a marketplace or to a stock exchange or organized regulated market that publicly disseminates details of trades in that market" as permitted by Rule 6.4(e) of UMIR; and

- a "Canadian account" the Participant can execute the trade "on another exchange or organized regulated market that publicly disseminates details of trades in that market" as permitted by Rule 6.4(d) of UMIR.

If these trades are executed other than on a marketplace, the price at which such a trade may be executed will be governed by the requirements applicable in the jurisdiction of the exchange or market.

If the Participant has acquired the block of securities in anticipation of undertaking a "wide distribution" in accordance with the rules of the TSX, either a specific exemption is granted from the requirement that the purchase be conducted on a marketplace

or the acquisition is covered by one of the enumerated exemptions from that requirement contained in Rule 6.4. A specific exemption will normally be granted by RS pursuant to Rule 6.4 in recognition of the fact that the Participant will be undertaking a sale of the block to not less than 25 separate and unrelated accounts with no one account participating to the extent of more than 50% of the value of the sale. Wide distributions are seen as a mechanism to enhance the public float of a security by increasing the spectrum of investors holding the security. Increasing the number of sizable (but not significant shareholders) of a security leads to greater visibility and interest in a security that ultimately contributes to liquidity and depth in the market for a security. In turn, liquidity and depth contribute to the maintenance of a "fair and orderly" market.

Under a wide distribution on the TSX, the Participant must allocate up to 20% of the volume to fill "better-priced orders" entered on the TSX at the same price at which the remainder of the block will be distributed. Given the mechanics of the TSX trading system, such wide distributions are normally undertaken immediately following the close of the regular trading session. In this way, the wide distribution is normally completed at a price which is at a discount to the closing price but better-priced orders in the regular trading book at the close have the opportunity to participate in the distribution (subject to the 20% cap on the amount of the block which the Participant must allocate for this purpose). Once all better-priced orders have been satisfied or the 20% allocation has been exhausted, all other trades in the wide distribution can occur outside of the market "spread".

If the Participant is not undertaking the trades as a wide distribution, the Participant would be under an obligation to "move the market" to an appropriate price at which the Participant could cross the block (if the Participant was acting as agent for both the purchase and the sale) or cross the purchase and also the subsequent sale (if the Participant was acting as principal on both the purchase and the subsequent sale).

In March of 2002, the TSX introduced "iceberg orders" which permit only a portion of the volume of an order to be disclosed in the book or on the consolidated market display. Since commencing operations in July of 2003, CNQ has permitted iceberg orders. The TSX VN amended its rules to permit iceberg orders effective upon receipt of required regulatory approvals on October 29, 2003. There is no provision for iceberg orders in the Bloomberg trading system.

Currently on the TSX, if the disclosed portion of the iceberg order executes, a portion of the balance of the order automatically emerges (with time priority established by the time at which the previously hidden volume is disclosed). The introduction of this feature has complicated the ability of Participants to accurately determine the volume which may be required to be satisfied as "better-priced orders" in a wide distribution or otherwise displaced as part of an orderly movement of the markets. When the Participant agrees to take on the block from the shareholder and place the block with institutional clients of the Participant, the Participant wants to be able to satisfy the requirements of the institutional clients at the price that has been agreed upon without any "leakage" to fill other orders in the market. In part, because of this uncertainty, Participants have attempted to use foreign markets to execute or report block trades. In doing so, Participants, acting as principal, have been able to bypass better-priced orders then existing on the TSX. Similarly, this ability to bypass better-priced orders would also apply if the better-priced orders were on any Exchange, QTRS or ATS.

Integrity Issues Under UMIR and the Marketplace Operation Instrument

The goals of the Marketplace Operation Instrument are to:

- create an integrated Canadian market based on competitive marketplaces; and
- provide for pre-trade and post-trade transparency based on a consolidated data display.

To ensure that Participants were able to access a "better-priced" order on any marketplace, an Exchange or QTRS can not "unreasonably prohibit, condition or limit" either access to their trading system or the ability of any of their members or users from effecting a transaction on any marketplace.

The objective of UMIR was to build on the goals of the Marketplace Operation Instrument to provide a single set of market integrity rules that would apply to all trading on equity marketplaces in Canada. While marketplaces would be able to compete based on the trading facilities which they offered, the trading activity would nonetheless be governed by common market integrity requirements that ideally would be administered by a single regulation services provider. UMIR uses the requirements under the Marketplace Operation Instrument of the integrated markets and a consolidated data display to require, subject to certain exemptions, that a Participant immediately expose a client order for 50 standard trading units (5,000 shares trading at $1.00 or more per share; 25,000 shares trading at $0.10 or more and less than $1.00 and 50,000 shares trading at less than $0.10 per share) by entering the order on a marketplace. Rule 5.2 of UMIR imposes requirements on Participants to take reasonable efforts to ensure that client orders are executed at the best price indicated in a consolidated display of the orders entered on all marketplaces. Policy 5.2 of UMIR also makes it clear that the obligation applies even if the client consents to the trade at the inferior price. UMIR also requires Participants, when trading with client orders, to execute the trades at a "better price".

A number of rules in UMIR (such as the rules on short sales and market stabilization) employ the standard of the "last sale" price. In each of these cases, the premise underlying the particular rule is the "best-priced" order executes first regardless of the marketplace on which that order is entered. This priority to the execution of orders ensures the working of the "price discovery" mechanism such that the last sale price disclosed on a consolidated market display represents the best approximation of market value of a security at that point in time. The ability of certain large transactions to bypass better-priced orders on a marketplace calls into question the validity of the price discovery mechanism for Canadian marketplaces and undercuts the rationale for the requirement for the exposure of certain client orders on a marketplace.

Both UMIR and the Marketplace Operation Instrument contemplate that Participants will have "reasonable access" to better-priced orders and that each Participant will take "reasonable efforts" to ensure that client orders are executed at the "best bid price" in the case of a sale for a client and at the "best ask price" in the case of a purchase for a client. While neither UMIR nor the Marketplace Operation Instrument provides for "blanket" trade-through protection, better-priced orders can not be intentionally bypassed when trading on behalf of a client except when access, transaction costs or other factors warrant the trade through.

UMIR recognizes that marketplaces may have special trading facilities and, as such, contains a number of exceptions which may permit certain types of trades to occur at prices other than the prevailing market at the time of the trade. The exceptions and the policy rationale for the provision of each of the exceptions are set out in greater detail under the subheading "Trades Outside the Prevailing Market".

Rule 6.4 of UMIR is designed to provide pre-trade and post-trade transparency and "best price" executions by requiring that all trades by a Participant to be undertaken by means of the entry of an order on a marketplace unless otherwise specifically exempted. Rule 6.4 does not prefer any single marketplace to another. Indeed, Rule 6.4 of UMIR specifically recognizes that trades also may be undertaken in foreign markets which are regulated and which disseminate details of trades. "Best price" should not been seen as a concept which applies only to one side of a trade. Both the buyer and the seller must be obtaining "best price". Rule 5.2 of UMIR ensures that trades between client orders of a Participant meet this standard.

Trades Outside the Prevailing Market

Rule 5.2 of the UMIR requires that a Participant make reasonable efforts to ensure that a client order is executed at the "best bid price" in case of a sale by the client and the "best ask price" in the case of a purchase by the client. Each of the best bid price and the best ask price is determined by reference to a consolidated market display containing order information from each marketplace.

UMIR provides a number of exceptions from the requirement to trade at the best prevailing price as outlined in the following table. Generally speaking, these exceptions are for particular types of orders where the exact price of the trade is not known at the time of the entry or the execution of the order and include: Call Market Orders, Market-on-Close Orders, Opening Orders and Volume-Weighted Average Price Orders. In addition, UMIR permits the execution of Special Terms Orders at prices other than the "best price" due to the presence of conditions attached to the execution of the order. UMIR also permits the execution of orders at other than the best price where the exemption has been subject to an exemption specifically granted by RS or another Market Regulator.

Order Type	Description of Order Type	Rationale for Exemption
Regulatory Exemption	An order that a Market Regulator requires or permits be executed other than on a marketplace in order to maintain a fair or orderly market.	Ordinarily a regulatory exemption is granted where the circumstances of the trade are such that the volume of the trade would cause a disruption to the market or which in accordance with securities legislation can not be completed in the open market. The most common example of this exemption is in the context of a control block distribution or an exempt take-over bid that is not made to the public at a price not exceeding 115% of the market price.
Special Terms Order	An order for the purchase or sale of a security: (a) for less than a standard trading unit; (b) the execution of which is subject to a condition other than as to price or date of settlement; or (c) that on execution would be settled	This exemption permits Special Terms Orders to trade outside the prevailing market because of the conditions which have been attached to the order or because the order is for less than one standard trading unit. (This exemption permits odd lot on the TSX Venture Exchange to trade at the established discount or premium to market prices.) The exemption does not apply if the Special Terms Order could be executed in whole in accordance with its terms or if the rules of the Exchange or marketplace otherwise provide. (For example, the rules of the TSX require odd lots to trade at the market price in accordance with obligations imposed

Order Type	Description of Order Type	Rationale for Exemption
	on a date other than in the ordinary settlement period or special period established by an Exchange or QTRS.	on market makers.) This exemption also applies to "Basis Trades" on the TSX which permit trades to be printed at the average price of accumulation or distribution of an underlying derivation position (and as such the reported price represents a "true market price" determined by the trading of securities in another marketplace, which in the case of the TSX Basis Trades is the derivatives market of the Montreal Exchange).
Call Market Order	An order for the purchase or sale of one or more particular securities that is entered on a marketplace on a trading day to trade at a particular time or times established by the marketplace during that trading day at a price established by the trading system of the marketplace.	On the entry of a Call Market Order the price at which the trade will occur is not known. The price of the trade will be calculated by the trading system of the marketplace at the time designated by the marketplace. Since the price at which the trade will occur is not known at the time of the entry of a Call Market Order and the determination of the price is beyond the direct control of the parties to the trade, the execution of a Call Market Order at a price other than the prevailing price is not considered an attempt to bypass the market. In the context of the POSIT Call Market on the TSX, the execution price is the mid-point between the bid and ask at a randomly selected time. It will not be known at the time of the entry of the orders whether this execution price would be outside the prevailing market for the security on all marketplaces.
Market-on-Close Order	An order for the purchase or sale of a security entered on a marketplace on a trading day for the purpose of executing at the closing price of the security on that marketplace on that trading day.	Execution of this type of order guarantees the parties that the trade will occur at the closing price on a particular market. At the time of the execution, this price is not determinable. Nonetheless, the closing price on a particular marketplace may be outside the prevailing market prices as indicated in a consolidated market display. This exemption permits these trades to be made at the last sale price. Presently, this exemption extends to Special Trading Session Orders (STS Orders) on the TSX.
Opening Order	An order for the purchase or sale of a security entered on a marketplace on a trading day for the purpose of calculating and executing at the opening price of the security on that marketplace on that trading day.	Each marketplace will be able to establish its own formula for the determination of opening prices. The so-called "calculated opening price" may vary right up to the time of the initial trade. In these circumstances, an order which has been specifically entered to trade on a particular marketplace at the opening may trade at a price which is different from the opening price on another marketplace that opens at the same time or the prevailing price on a marketplace that it then already open for business. At the time of the entry of the order, the "opening" price is not known (though "indications" of the opening price may be publicly disclosed). An Opening Order will not have been entered in an attempt to bypass a "better" market price.
Volume-Weighted Average Price Order	An order for the purchase or sale of a security entered on a marketplace on a trading day for the purpose of executing trades at an average price of the security traded on that trading day on that marketplace or on any combination of marketplaces known at the time of the entry of the order.	When a Volume-Weighted Average Price Order executes the price will be determined by a formula that measures average price on one or more marketplaces for trades occurring after the execution of the Volume-Weighted Average Price Order. As such, the final price may be outside the context of the market at the end of the trading session but this fact would not have been determinable at the time of the execution of the order.

Where two or more marketplaces have the same price, trades may be executed on any of such marketplaces. Similarly, if a marketplace has more than one order at the same price, each marketplace will adopt its own allocation rules as to which orders will trade first. (For example, the TSX has adopted rules which give crosses within a firm priority over orders from other firms at

the same price regardless of the time of entry of the orders. Other marketplaces may adopt other allocation formulas such as the allocation of trades to the largest orders.) Allocations made by a marketplace are subject to the provisions of the client priority requirements set out in Rule 5.3 of UMIR.

"Trade Through" Protection in the United States

In the United States, the Inter-market Trading System ("ITS") provides extremely limited "trade through" protection for transactions occurring on a market in the United States. By the terms of the plan governing the operation of the ITS, each of the exchanges in the United States may trade any stock listed on any other exchange. Each exchange publishes the volume at the best bid and offer. If a trade is to be executed on an exchange outside the best bid and offer on another exchange, a "commitment" must be sent to the exchange with the better price for the disclosed volume. The specialist on the exchange with the better price has between 60 and 120 seconds (though this period has been reduced on a trial basis to 30 seconds) to either accept or reject the commitment. Meanwhile, the trade may proceed on the original exchange at the intended price. "Better-priced" orders at or between the intended price and the disclosed "best" price are ignored.

If the intended trade is a "block trade" (being essentially 10,000 shares or with a value of US $200,000 or more), the "best" priced orders from the other exchanges get filled at the price of the intended trade.

The plan specifies a number of restrictions will apply if the intended trade is to occur prior to the opening of the security on each exchange when the intended price varies from the previous day's closing price by more than a specified amount (which is either US $0.10 or US $0.25 depending upon the security).

NASDAQ, New York Stock Exchange ("NYSE"), American Stock Exchange and each of the regional exchanges are parties to the ITS Plan. However, other markets (such as Island and other alternative trading systems and electronic communications networks) are not parties to the ITS Plan. However, in addition to any "trade through" restrictions imposed by the ITS Plan, each market may have its own rules regarding the ability to execute trades outside of the prevailing bid and ask of orders on that market.

The trade-through protection offered by the ITS Plan has been criticized as NASDAQ, ArcaExchange and a number of the ECNs, such as Instinet, have proposed that the rule be scrapped given the time delays in the handling of orders on the automated markets necessitated by having to send orders to the "manual" markets such as the NYSE. Even if the ITS Plan were to be repealed, orders executed on a market would be subject to the displacement rules of that market and the "best execution" obligations imposed on dealers generally.

It is important to note that many of the criticisms of the "trade-through" rule in the United States focus on the structural differences between the competing markets and their respective abilities to provide order transparency and timely trade executions. In February of 2004, the United States Securities and Exchange Commission ("SEC") published for comment proposed Regulation NMS that would alter the working of the "trade-through" rule in that:

- Regulation NMS would establish a uniform trade-through rule for all market centres that would affirm the fundamental principle of price priority, while also addressing problems posed by the inherent difference in the nature of prices displayed by automated markets, which are immediately accessible, compared to prices displayed by manual markets, which are not.

- Specifically, the proposal would require self-regulatory organizations, as well as any market centre that executes orders, to establish procedures to prevent the execution of an order for national market system stocks at a price that is inferior to the best bid or offer displayed by another market centre at the time of execution.

- At the same time, the proposal would include two exceptions to the general trade-through rule.

- First, a market centre would be allowed to execute an order that trades through a better-priced bid or offer on another market centre if the person entering the order makes an informed decision to affirmatively opt out of the trade-through protections. Informed consent would need to be given on an order-by-order basis. This exception is designed to provide greater flexibility to informed traders while preserving the average customer's expectation of having his or her orders executed at the best price.

- Second, an automated market - one that provides for an immediate automated response to incoming orders for the full size of its best displayed bid or offer, without restriction - would be able to trade through a better displayed bid or offer on a non-automated market up to a *de minimis* amount of one to five cents, depending on the stock's price. This exception reflects the comparative difficulty of accessing market quotes of non-automated markets.

- Overall, the proposal is designed to be a practical response to developments in the marketplace that still preserves the important customer protection and market integrity goals of best execution and the protection of limit orders.

- The proposed trade-through rule would not change a broker-dealer's existing duty to obtain best execution for customer orders.

On the question of application of the proposed rule, the SEC indicated that Regulation NMS would apply to orders for the account of a broker-dealer as well as for the account of a customer. The SEC stated its belief that excluding orders for the account of a broker-dealer would undermine the purpose of the proposed rule to provide price protection to displayed better-priced limited orders and quotes, because the broker-dealer orders would be able to trade–through the better prices. However, under the proposed Regulation NMS, the broker-dealer would be able to opt out of requirement as would clients that gave an "informed consent". In its publication, the SEC specifically requested comment on the impact of the proposed opt-out provision from the trade-through rule. The SEC noted that, if the opt-out exception was used frequently, the usage might undermine investor confidence that their orders will receive the best price available in the markets, when they see trades frequently occurring at price inferior to better prices displayed on other markets. The SEC therefore requested comment on whether the opt-out exception would undermine the principle of price priority and, if so, the anticipated impact of this exception on the principle of price priority.

Rule 5.2 of UMIR requires Participants to take reasonable efforts to ensure that client orders are executed at the best price indicated in a consolidated display of the orders entered on all marketplaces. The current provisions of Policy 5.2 preclude a client from consenting to a trade at an inferior price to a better-priced order on a marketplace. The proposed amendments would not change this prohibition. Instead, the effect of the proposed amendments to UMIR would be to ensure that Participants when trading principal and non-client orders and Access Person when trading directly and not through a Canadian dealer would also have to take reasonable efforts to ensure that better-priced orders on a marketplace are honoured. Given the requirements under the Marketplace Operation Instrument and UMIR, many of the structural problems experienced in the United States that are at the root of the proposals in Regulation NMS will not be replicated in the Canadian setting. While UMIR does not establish a blanket prohibition on trade-throughs, UMIR, if amended as proposed, will require that market participants take "reasonable efforts" to ensure that the priority of better-priced orders disclosed in a consolidated market display is respected.

Summary of the Proposed Amendments

1. ***Provide that the intentional bypassing of better-priced orders on a marketplace by a Participant or Access Person is contrary to the requirement to conduct business openly and fairly when trading in securities which are eligible to be traded on a marketplace.***

It has long been recognized that each Participant, given their access to trading on a marketplace, owes an obligation to the "market" generally. The Canadian market, as envisaged by the Marketplace Operation Instrument, consists of integrated marketplaces with pre-trade and post-trade transparency on some form of consolidated basis. While there would be competition between marketplaces based on the facilities and services which they offered, Participants in those marketplaces would be expected to support the integrity of the overall marketplace by not intentionally bypassing better-priced orders on one marketplace in favour of execution of the order on a particular marketplace. In determining whether reasonable efforts had been taken to achieve "best execution" one would look at the access to the other marketplace which was available to the Participant and any additional costs that would be incurred by the Participant in accessing the order on that market.

Presently, Rule 2.1 requires that a Participant or an Access Person conduct trading "openly and fairly" and in accordance with "just and equitable principles of trade". In the Policy in support of this Rule, there is a requirement that a Participant or Access Person "move the market in an orderly fashion" and obtain the prior approval of the Market Regulator if that Participant or Access Person intends to execute a trade or a cross that will move the market by more than $1.00 in a security trading below $20.00 or greater than $2.00 in a security trading at or above $20.00. The obligation not to "bypass" better-priced orders to execute a transaction is an extension of the existing concept of moving the market in an orderly fashion. In both cases, the Participant is seeking to put up a trade at a price which is different from the prevailing market.

It is proposed that the Policy under Rule 2.1 of UMIR be amended to specifically preclude a Participant from "bypassing" better-priced orders on any marketplace when trading on a marketplace or a foreign market. It should be noted that Part 2 of Policy 5.2 presently indicates that the policy provisions against trading through better-priced orders apply to "Participants' principal (inventory) accounts". The Policy also applies to Participants' principal trades on foreign over-the-counter markets made pursuant to the "outside of Canada" exemption in clause (e) of Rule 6.4. However, the application of this aspect of the Policy is problematic in that Rule 5.2 currently is limited in its application to "client orders". The proposed amendment would simply transfer the provisions related to principal trading from Policy 5.2 to Policy 2.1 with the result that an intentional trade-through would become a violation of the requirements to conduct business openly and fairly.

Rule 5.2 of UMIR requires that a Participant make "reasonable efforts" prior to the execution of a client order to ensure that the order is executed at the "best price". Presently, this obligation extends only to "client orders" and a Participant

is not under an obligation to search out the best price when the Participant is handling principal or non-client orders. It had always been assumed that "economic self-interest" would insure that a Participant would seek to obtain the best available price when trading on its own behalf or own behalf of its employees and that a rule was only required to ensure that the Participant took the same effort to ensure execution at the best available price when handling orders as agent on behalf of clients.

The question that arises is whether similar restrictions should be extended to Access Persons when trading on their own behalf. The argument for this extension would be that the Access Person has been granted direct access to trading on an integrated Canadian market and that, in exchange for that access, the Access Person owes an obligation to the market generally in the same fashion as do Participants. In many ways, the argument is that an Access Person with direct access to a marketplace should have the same obligations as a Participant when trading on behalf of its inventory accounts. Extension of these rules to Access Persons would require each Access Person, when trading directly and not through a Canadian dealer, to take "reasonable efforts" to ensure that they obtain the best price on the execution of their orders. Previously, it had been assumed that "economic self-interest" would dictate that each Access Person would pursue the best available price. While each Access Person may not be subject to the same considerations as a Participant when agreeing to trade at an inferior price the concept that an Access Person may owe a general obligation to the market may be sufficient to require them to displace better-priced orders on marketplaces. In making the extension of the restriction, the same regulation will apply to a trade by an Access Person whether the trade is made directly by the Access Person or through a Participant as agent on their behalf.

In provinces other than Ontario, institutional investors may in certain circumstances deal directly with foreign dealers. To the extent the rules in Canada are not sufficiently flexible to accommodate a large block transaction, this type of transaction may be directed to foreign dealers and foreign markets by institutional clients in order to execute transactions at prices other than the prevailing prices on marketplaces in Canada. Extending the restrictions to institutional investors that are Access Persons should inhibit the development of this pattern of behaviour.

2. Amend the "moving the market" requirements to better reflect the diversity in prices of listed or quoted securities.

Presently, the requirement under Policy 2.1 for an orderly movement of the market is tied to price movements of at least $1.00 or $2.00 in the case of stocks trading above $20.00 and requires that the market be moved over a period of 10 to 15 minutes for each movement of $1.00 in price. These amounts are not appropriate to govern the price movement of "penny stocks" or "high-priced stocks" (in particular stocks trading at $50.00 or above). The proposed amendment would introduce a sliding scale. For example, a more appropriate threshold for determining the amount of "effort" required to move a market may be when the price would move the greater of 5% of the last sale price or 10 trading increments. In this way, the amount of "effort" required to move a stock trading at $20.00 up to a price of more than $21.00 would be the same as the effort required to move a stock trading at $0.10 to $0.15 (being an increase of $0.05 or 10 trading increments representing a 50% increase). If the price would move the market the greater of 5% and 10 price increments, the Participant would be required to enter orders over a period of not less than 5 minutes in order to move the market in an orderly fashion. In keeping with the notion of a sliding scale, it may be appropriate to provide that if the price movement is more than 10% from the last sale price, the Participant should be required to enter orders over a period of not less than 10 minutes in order to move the market in an orderly fashion.

3. Adopt a definition of the phrase "designated block trade" and provide that orders that are to be entered on a marketplace as a "designated block trade" receive approval by a Market Regulator prior to the entry of the order to a marketplace.

The proposal recommends a definition of "designated block trade" as an intentional cross or a pre-arranged trade of a listed security or quoted security that meets certain price and size parameters. The proposed definition requires that the price of the trade not be less than the best bid price nor more than the best ask price by more than the greater of 5% or 10 trading increments. The proposed definition also requires that the size of the trade be $25,000,000 or involve 10% or more of the issued and outstanding securities.

On the execution of a "designated block trade" that utilizes the cap on displacement obligations, certain better-priced orders will be indicated in the consolidated market display at the time that the designated block trade is reflected in the consolidated market display. To the extent that the cap on displacement is used, the processing of these trades will be undertaken in a manner which may over-ride the ordinary trade allocation rules of a marketplace (as the undisclosed portion of any better-priced "iceberg" order would be ignored).

The Market Regulator would co-ordinate with each marketplace the processing of the trades that are part of the "displacement obligation". If, after fulfilling the displacement obligation, the trading system of any marketplace would not permit the execution of a designated block trade or wide distribution trade at the intended price, the Market Regulator would permit the trade to be executed "off-marketplace" provided the trade was reported to a marketplace. It

is anticipated that either the Market Regulator or the marketplace on which the "designated block trade" is executed would issue a notice to the market that such a trade had occurred.

Based on recent trading information, there are approximately 3 to 4 trades a day on the TSX with a value in excess of $25,000,000 and no trades on TSX VN or CNQ of this size. Presently, there is no estimate of the number of trades which may involve more than 10% of the issued and outstanding securities of an issuer. As such, the number of orders that may be handled as a "designated block trade" may not justify the cost of requiring an order designation on the entry of the order or the cost of programming changes to the trading systems of marketplaces to alter the trade allocations in these circumstances. A marketplace would need to be able to manually override any allocation of volume to the undisclosed portion of an iceberg order that would in the ordinary course have been filled prior to the execution of any order included in the calculation of the disclosed volume.

4. Provide a cap on the amount of stock which a Participant must "give up" in an effort to move the market when undertaking a designated block trade.

Except when a Participant is undertaking a wide distribution in accordance with TSX Rules, there is no cap on the amount of stock which a Participant must give up in an attempt to move the market to facilitate a block trade. If a Participant wanted to limit the amount of the possible give-up (since the Participant would not know the depth of any iceberg orders that may exist on any marketplace), the Participant could request that the Market Regulator set a cap.

The cap could be calculated as percentage of the trade volume (as is presently the case with wide distributions conducted pursuant to the TSX Rules) or as the amount or a multiple of the disclosed volume on marketplaces at better prices than the price of the intended trade. For example, if a Participant wishes to trade a block at a price that is within 5% of the prevailing price, the cap could be the greater of 20% of the volume of the order and the disclosed volume at the same or better prices on marketplaces at the time of the approval of the cap by the Market Regulator.

If the obligation is seen as a "reasonable attempt" to satisfy better-priced orders already in the market, there would appear to be no policy reason to expect that this obligation should vary with the size of the intended trade as compared to the size of the "disclosed volume". For this reason, the recommendation is that the cap, or displacement obligation, be simply a function of the disclosed volume of the orders at the same or "better" price. Orders which are entered on each marketplace to meet the displacement obligation on that marketplace would be allocated to orders which have been included in the disclosed volume. The undisclosed volume associated with an "iceberg" order would be disregarded.

Implementation of a "cap" on the displacement obligation may require each marketplace to undertake programming changes to their respective trading system or to have the ability to override trade allocations to permit the trades to be allocated and executed at the time and prices indicated in the suggested execution procedure. Ideally, the adoption of the recommendations would permit designated block trades:

- at any time during the trading day of a marketplace;
- without the requirement to halt trading on marketplaces to complete the transactions (though a temporary order inhibition may be required on certain marketplaces to facilitate the handling of the "displacement" trades);
- that would be transparent (as a result of the issuance of a notice by either the Market Regulator or the marketplace on which the designated block trade is executed that indicates a designated block trade has occurred); and
- to establish the "last sale price" for the purposes of UMIR.

5. Adopt a definition of "disclosed volume" that would take into account the volume of "non-specialty orders" disclosed in a consolidated market display.

Disclosed volume at or better than the intended price of the designated block trade would exclude:

- the undisclosed portion of any iceberg order;
- a Special Terms Order unless the order could be executed in whole, according to the terms of the order;
- a Call Market Order;
- a Volume-Weighted Average Price Order;

- a Market-on-Close Order; or
- an Opening Order.

Where the block trade has been negotiated outside of the trading hours of a marketplace, the disclosed volume would be determined at or after the opening of a marketplace (as this would ensure that the disclosed volume reflected all "after hours" news regarding the market generally or the particular issuer whose securities were included in the block trade).

6. Specifically incorporate the interpretation of the phrase "organized regulated market" as a definition.

UMIR should specifically adopt as a definition the interpretation of the phrase "organized regulated market" that has been used by RS (and previously by the TSX in the interpretation of its former Rule 4-102, and prior to the introduction of the TSX Rule Book, former General By-law 12.03). The definition would provide that an "organized regulated market" means a market outside of Canada:

- that is an exchange, quotation or trade reporting system, alternative trading system or similar facility recognized by or registered with an ordinary member of the International Organization of Securities Commissions;
- on which the entry of orders and the execution of trades is monitored for securities regulatory requirements at the time of entry and execution by a self-regulatory organization recognized by the securities regulatory authority or by the market if the market has been empowered by the securities regulatory authority to monitor its own market;
- that displays and provides timely information to data vendors, information processors or persons providing similar functions respecting the dissemination of data to market participants for that market's details of at least the price, volume and security identifier in respect of each order at the time of entry of the order and in respect of each trade at the time of execution or reporting of the trade on that market; and
- excludes a facility of a market to which trades executed over-the-counter are reported unless:
    - the trade must be reported forthwith following execution,
    - at the time of the report, the trade is monitored for compliance with securities regulatory requirements, and
    - at the time of the report, timely information respecting the trade is provided to data vendors, information processors or persons providing similar functions respecting the dissemination of data to market participants for that market.

In subsection (2) of section 2.1 of the Companion Policy 21-101CP to the Marketplace Operation Instrument, the CSA states that two of the characteristics of a "marketplace" are:

- that it brings together orders for securities of multiple buyers and sellers; and
- that it uses established, non-discretionary methods under which the orders interact with each other.

Based on these requirements, the CSA does not consider simple trade reporting facilities to be "marketplaces". For this reason, the Canadian Unlisted Board operated by the TSX VN is not considered a "marketplace". In order to be consistent with the concepts in the Marketplace Operation Instrument, the definition of "organized regulated market" that is proposed excludes certain bulletin boards (in particular, the "Pink Sheets") and reporting facilities (such as the Automated Confirmation Transaction Services ("ACT") operated by Nasdaq and the Trade Reporting and Comparison Services ("TRACS") operated by the National Association of Securities Dealers for those members that participate in the Alternative Display Facility) as similar facilities would not be considered "marketplaces" in the Canadian context. When a Participant is trading a security that is a listed security (a security listed on a recognized Canadian exchange) or a quoted security (a security quoted on a recognized Canadian quotation and trade reporting system), the trade if conducted in a foreign market should be conducted on a market that has substantially the same regulatory monitoring and dissemination of data to the public as would be present if the trade had been conducted on a marketplace in Canada.

The OTC Bulletin Board is an automated trading system that permits dealers to voluntarily post quotes subject to NASD rules. The prices and quotes are available to the public, with a data feed available to data vendors. All trades

must be reported to NASD within ninety seconds and information of each trade is printed, or if made after hours, the next trading day. If the trade is made after NASD hours, the trade is not printed nor is there "real time" surveillance of the trading activity. In this context, the OTC Bulletin Board would constitute an "organized regulated market" during the period of operation when trades must be reported within ninety seconds. At all other times, the OTC Bulletin Board would not meet the proposed test.

7. Specifically incorporate the interpretation of the phrases "Canadian account" and a "non-Canadian account".

UMIR should be amended to define a "non-Canadian account" as an account of a client of a Participant and the client is considered to be a non-resident of Canada for the purposes of the *Income Tax Act* (Canada). This definition is easily verifiable as a Participant must determine the tax status of each account for the purposes of establishing the obligation of the Participant to withhold taxes from distributions of dividends and interest allocated by the Participant to each account. This definition also effectively adopts the interpretation which RS (and its predecessors) have provided for the term.

A definition should also be provided for a "Canadian account" in order to clarify that there are not more than two possible categories. If an account is not a "non-Canadian account" it would be considered a "Canadian account". As such, if there is any doubt as to the status of an account, it would be treated as a Canadian account (and the exemptions for off-marketplace trades provided in clause (e) of Rule 6.4 would not be available when trading with or on behalf of these accounts.)

8. Amend the formula to be used for foreign currency translation when determining whether a "better price" exists on a foreign market as compared to a marketplace.

Presently, UMIR provides that prices on foreign markets are to be translated into Canadian dollars using the mid-market spot rate or 7-day forward exchange rate in effect at the time of the trade, plus or minus 15 basis points. This formula was previously used as part of the rules of the TSX but may no longer be an appropriate benchmark. It is recommended that the formula be replaced with the exchange rate that would apply to a trade of a similar size on an organized market in the foreign jurisdiction. This is the same as the formula that is being suggested for converting the price of an internal cross or intentional cross that has been agreed to in a foreign currency for the purpose of reporting or executing the cross on a marketplace. The burden will be on the Participant to justify the foreign currency exchange rate which has been used and the Participant must maintain a record of that currency exchange rate with the information on the execution of the order.

Compliance will be assisted if there is a single foreign exchange formula to be used for various requirements under UMIR. While the suggested formula is less specific than the existing formula, in fact the Participant has less choice in picking the rate to be used as it must relate to the exchange rate used by the Participant in similar transactions undertaken in proximity in value and time. Foreign exchange within a 15 basis point plus or minus range can not be used to "artificially" create a better price on an organized regulated market in a foreign jurisdiction.

9. Require large trades in listed securities and quoted securities executed by Participants in foreign markets or in over-the-counter trades with non-Canadian accounts to also be reported to a Market Regulator.

It is recommended that information on large block trades in a listed security or a quoted security with a value of $25,000,000 or more that have been undertaken on a foreign market or reported to a foreign market also be reported to a Market Regulator (being a regulation services provider, such as RS, or an Exchange or QTRS that directly monitors the conduct of its members or users). The reporting requirement will correspond to a trade that would have qualified as a designated block trade had the trade been executed on a marketplace.

In the near term, the requirement to report such large trades may provide the information that is necessary to effectively ensure that better-priced orders in a marketplace are not being bypassed. In addition, the requirement will assist in the monitoring for compliance with the provisions on frontrunning and client priority.

If the electronic audit trail requirements under the Trading Rules become fully operational in a manner which requires information on all orders undertaken by a dealer to be provided to a regulation services provider, the reporting requirements for certain large trades in listed securities and quoted securities executed in a foreign market will become redundant.

10. Adopt a definition of "trading increment" and provide for minimum trading increments.

If adopted, the amendments to UMIR will permit the immediate execution of orders that are not less than 10 trading increments less than the best bid price and not more than 10 trading increments more than the best ask price. Under the amendments, the ability to undertake an immediate trade would also depend on the percentage difference of the

intended trade price from the best ask price and best bid price. It is proposed that the minimum trading increment be one cent for orders with a price of $0.50 or more and one-half cent for orders less than $0.50. The standardization of minimum trading increments will permit the direct comparison of whether an order on a particular marketplace is a "better-priced" order and allow a Participant to determine whether a period of time to move the market is required in order to execute an intentional cross or prearranged trade. It is also recommended that provision be made for the reporting of trades resulting from Call Market Orders or Volume-Weighted Average Price Orders at an increment of one-half of one cent.

11. Undertake a number of consequential amendments to facilitate the amendments described above including:

- clarifying that any short sales undertaken by a Participant to move the market or to fulfil displacement obligations in accordance with the requirements of Policy 2.1 are exempt from the restriction that the sale price not be less than the last sale price;

- clarifying that a trade may be made off-marketplace in a security that has been halted, delayed or suspended by an Exchange or QTRS for "business reasons" if such security is not listed, quoted or traded on another marketplace.

- clarifying that any trade undertaken "off-marketplace" in accordance with an exemption in Rule 6.4 remains subject to a number of order handling provisions in UMIR including:

    - Rule 2.1 requiring a Participant to transact business openly and fairly and in accordance with just and equitable principles of trade when trading on a marketplace or trading or otherwise dealing in securities which are eligible to be traded on a marketplace;

    - Rule 4.1 prohibiting a Participant from frontrunning certain client orders;

    - Part 5 dealing with the "best execution obligation" of a Participant in respect of a client order;

    - Rule 8.1 governing client-principal trading; and

    - Rule 9.1 governing regulatory halts, delays and suspensions of trading.

Summary of the Impact of the Proposed Amendments

The principal impacts of the proposed amendments would be:

- to require a Participant when trading a principal or non-client order to make reasonable efforts to execute as against better-priced orders displayed in a consolidated market display before executing the order over-the-counter or on an organized regulated market outside of Canada;

- to require an Access Person when trading an order directly and not through a Canadian dealer to make reasonable efforts to execute as against better-priced orders displayed in a consolidated market display before executing the order over-the-counter or on an organized regulated market outside of Canada;

- address the "uncertainties" surrounding the ability of a Participant to "move the market" as a result of the presence of iceberg orders by providing a "cap" on the displacement obligation when undertaking certain significant block trades (defined in the proposal as "designated block trades") such that there would be no obligation to fill the undisclosed volume of an iceberg order;

- specifically incorporate in the text of UMIR definitions of various phrases including:

    - "Canadian account",

    - "designated block trade",

    - "non-Canadian account",

    - "organized regulated market", and

    - "trading increment";

- amend the formula to be used to determine when a "better price" exists on a foreign market and for reporting trades agreed to in a foreign currency; and

- provide a reporting mechanism which will assist RS in monitoring compliance for large block trades.

In particular, the following four impacts would result from the adoption of the proposed amendments to UMIR:

1. Principal and Non-Client Orders

Rule 5.2 of UMIR requires that a Participant make "reasonable efforts" prior to the execution of a client order to ensure that the order is executed at the "best price". Presently, this obligation extends only to "client orders" and a Participant is not under an obligation to search out the best price when the Participant is handling principal or non-client orders. However, it should be noted that Part 2 of Policy 5.2 presently indicates that the policy provisions against trading through better-priced orders applies to "Participants' principal (inventory) accounts" including principal trades on foreign over-the-counter markets made pursuant to the "outside of Canada" exemption in clause (e) of Rule 6.4. The application of this aspect of Policy 5.2 is problematic in that Rule 5.2 currently is limited in application to "client orders". The proposed amendments to UMIR would ensure that a Participant when trading a principal order or a non-client order would have to make reasonable efforts to ensure that the principal order and non-client orders are executed at the best price indicated in a consolidated display of the orders entered on all marketplaces (in the same manner as would be required in the handling of client orders).

2. Orders by Access Persons

Presently, UMIR does not impose an obligation on an Access Person to honour better-priced orders on a marketplace. The proposed amendments to UMIR would require each Access Person, when trading directly and not through a Canadian dealer, to take "reasonable efforts" to ensure that they obtain the best price on the execution of their orders. In determining whether an Access Person had undertaken reasonable efforts consideration would be given to whether the Access Person had access to the marketplace with the better-priced order and the additional costs that would be incurred by the Access Person in accessing the order on that marketplace.

If an Access Person is trading through a Canadian dealer, the dealer will be under an obligation to obtain the "best price" for the Access Person in accordance with Rule 5.2 of UMIR. In accordance with Policy 5.2, this obligation would apply even if the Access Person wanted to consent to trading on another market at an inferior price. However, the specific client instructions regarding the timeliness of execution is a consideration to be taken into account in determining whether the Participant has taken "reasonable efforts" to access better-priced orders.

An "Access Person" is presently defined as a person, other than a Participant (essentially a dealer), who is a user of a QTRS or a subscriber to an ATS. The Board of Directors of RS has approved an amendment to UMIR to expand the definition of an "Access Person" to include a person who has been granted access rights to the trading system of an Exchange or a QTRS either directly or by means of an electronic connection to the order routing system of a member or user. This amendment was published for comment by Market Integrity Notice 2003-014 dated June 27, 2003 and is subject to the approval of the Recognizing Regulators. If both the amendment to the definition of "Access Person" and the amendments related to "off-market" trades outlined in this Market Integrity Notice are implemented, Access Persons who are trading directly and not through a Canadian dealer, would be under an obligation to use reasonable efforts to trade with better-priced orders entered on a marketplace prior to trading at an inferior price on another marketplace, over-the-counter or on a foreign market.

3. Bypassing of the Undisclosed Volume of Iceberg Orders

If the amendments to UMIR set out in this Market Integrity Notice are implemented, the undisclosed portion of the volume of an iceberg order will be ignored when a "designated block trade" is being executed. If a Participant is "moving the market" to execute a trade, the undisclosed portion of an iceberg order which is at a better price will be executed in full before the Participant will be able to execute the intentional cross or prearranged trade.

Iceberg orders presently are permitted on the TSX and the TSX VN is seeking regulatory approval to introduce iceberg orders. Based on trading information on the TSX for the period May 1, 2003 to January 8, 2004, iceberg orders accounted for 5.99% of orders by volume with the undisclosed portion of iceberg orders accounting for 4.75% of order volume. Iceberg orders were slightly more likely to participate in trades during this period accounting for 6.88% of trades by volume and 6.77% of trades by value. During the period, the disclosed portion of iceberg orders was approximately 20.66% of the total volume of iceberg orders and approximately 22.4% of the total value of iceberg orders.

Based on a one day sample orders on the TSX for the five securities that during the period July to December of 2003 were the most likely to trade in large blocks, the undisclosed volume represented 6.46% of overall order volume or 7.61% of the disclosed order volume. The sample of securities also indicated that iceberg orders are most prevalent within 5% of the last sale price (where they were 10.89% of the disclosed order volume within that price range). In the sample, there were no iceberg orders at prices which were more than 10% away from the last sale price. The sample of order data was taken at four times during a trading day (open; 11:30 a.m.; 2:30 p.m. and the close) and the undisclosed order volume as a percentage of disclosed order volume increased throughout the trading day (from a low of 6.87% at the open to 14.78% at the close). The sample also disclosed significant variations in the use of iceberg orders among the securities that had been identified as the ones most likely to trade in large blocks. In one case, no iceberg orders were entered at any of the four sample times. For another security, the undisclosed portion of iceberg orders represented approximately 49% of the disclosed volume of orders at the close within 5% of the last sale price.

4. "Wide Distribution" rules of the TSX and other Marketplaces

Presently, each Exchange and QTRS may establish its own rules for the qualification of a "wide distribution" through the facilities of that Exchange or QTRS. An ATS is not entitled to have rules governing such matters as wide distributions. However, if the objective is to maintain the integrity of the "consolidated market display", no marketplace should have a provision that could have the effect of bypassing "better-priced" orders on any marketplace.

The TSX has therefore indicated that if the proposal with respect to designated block trades is adopted in UMIR that the TSX would repeal its existing rules and policies with respect to "wide distributions". Presently, under the TSX Rule, a wide distribution consists of an order with a value of at least $25,000,000 that is distributed as principal to at least 25 separate and unrelated client accounts provided that no single account participates to the extent of more than 50% of the value of the distribution. Up to 20% or more of the amount of the order must be allocated to satisfy better-priced orders on the TSX and any other Exchange at the price at which the distribution is to be made. If the cap amount is allocated, the wide distribution will occur at a price other than the market price determined by the orders in the TSX book.

The significant differences between the "wide distribution" rules of the TSX and the treatment of "designated block trades" under the proposed UMIR amendments are:

- the ability to undertake a designated block trade is determined by the size of the order ($25,000,000 or more than 10% of the issued and outstanding securities) and does not include the number of purchasers involved in the trade as is the case with a wide distribution;
- the ability to undertake a designated block trade is limited by the fact that the price of the trade must be within 5% or 10 trading increments of the best ask price or best bid price, as applicable, as compared to no price constraints on the price at which a wide distribution may be undertaken;
- a designated block trade may be undertaken at any time during the trading day of a marketplace rather than at the close which is the only practicable time at which a wide distribution may be done on the TSX;
- the displacement obligation under a designated block trade would be determined by the disclosed volume of better-priced orders rather than the size of the distribution as is the case with a wide distribution;
- a designated block trade could be undertaken without the requirement to halt trading on marketplaces to complete the transactions (though a temporary order inhibition may be required on certain marketplaces to facilitate the handling of the "displacement" trades);
- a designated block trade would fill better-priced orders on marketplaces at the price of the order and not the distribution price as is the case with wide distributions;
- a designated block trade would fill all better-priced orders on all marketplaces and not just better-priced orders on a Canadian exchange subject to the volume cap as is the case with wide distributions;
- a designated block trade may by undertaken by a Participant as agent or principal rather than as principal only as required in a wide distribution; and
- a designated block trade may establish the "last sale price" under UMIR.

If the proposed amendments to UMIR are implemented to permit "designated block trades", it would be the intention of RS not to grant any requested exemptions from UMIR that may be required by a Participant seeking to employ the wide distribution rules of the TSX or comparable provisions of any other marketplace.

Specific Matters on Which Comment is Requested

Comment is requested on all aspects of the proposal. However, comment is specifically requested on the following matters:

Definition of Designated Block Trade

1. The proposal recommends that a "designated block trade" has a value of $25,000,000 or more. This dollar amount corresponds to the minimum size of a block that can presently be distributed by a wide distribution in accordance with the rules of the TSX.

   Is the recommended value of $25,000,000 appropriate to be a designated block trade?

2. The proposal recommends that, as an alternative to the value of a block, a trade could qualify as a "designated block trade" if the trade involved 10% or more of the issued and outstanding shares of the issuer. In these circumstances, the vendor is an insider of the issuer and the purchaser (if there is a single purchaser) would become an insider.

   Is it appropriate to have a test based on the size of the block of securities to be traded? If so, should the test be based on the size of the block in relation to the number of securities outstanding? Should "large" blocks nonetheless be subject to a minimum value test (e.g. $1,000,000)?

Displacement Obligation

3. The proposal recommends that the displacement obligation be set at the "disclosed volume" in the case of a designated block trade. All orders included in the disclosed volume would be guaranteed execution. Undisclosed volume associated with "iceberg" orders would be ignored.

   Should all orders included in the disclosed volume be guaranteed execution prior to the execution of the designated block trade?

   Should the undisclosed volume of iceberg orders at a better price be ignored?

Wide Distributions

4. The proposal recommends that no distinction be drawn between an intentional cross or pre-arranged trade and one which is a "wide distribution" to a minimum number of accounts.

   Should there be a different displacement obligation to complete a wide distribution as compared to an intentional cross or pre-arranged trade? If so, should a "wide distribution" be allowed to displace less than the disclosed volume or should an intentional cross or pre-arranged trade that is not a wide distribution be required to displace more than the disclosed volume (e.g. there would be some allocation to the undisclosed volume of iceberg orders)?

   If provision is to be made for "wide distributions", are the requirements under the current TSX rules appropriate that the distribution be made:

   - *to not less than 25 separate and unrelated accounts with no one account participating to the extent of more than 50% of the value of the sale; and*
   - *by a Participant as principal?*

Price Thresholds for a Designated Block Trade

5. The proposal recommends that a designated block trade (with its cap on displacement obligations) can be undertaken if the price is:

   - not less than the lesser of:
     - 95% of the best bid price; and
     - 10 trading increments less than the best bid price; and
   - not more than the greater of:
     - 105% of the best ask price, and

- 10 trading increments more than the best ask price.

Should the thresholds be based on the best ask price and best bid price at the time of the entry of the order or should the thresholds be determined by reference to the last sale price (e.g. the price of the trade could vary from the last sale price by not more than the greater of 5% and 10 trading increments)?

Moving the Market Obligations

6. The proposal would require the prior approval of a Market Regulator for a trade that would be at a price that is:

- less than the lesser of:
  - 95% of the best bid price; and
  - 10 trading increments less than the best bid price; or
- more than the greater of:
  - 105% of the best ask price, and
  - 10 trading increments more than the best ask price.

In these circumstances, the Market Regulator may require that the market be moved over a period of time. As a general guideline, the time period will generally not be less than 5 minutes if the price variation from the best ask price or best bid price, as applicable, is more than 5% but less than 10% and not less than 10 minutes if the price variation is more 10% or more.

Should the thresholds be based on the best ask price and best bid price at the time of the entry of the order or should the thresholds be determined by reference to the last sale price (e.g. the price of the trade could vary from the last price sale by not more than the greater of 5% and 10 trading increments)?

Are the suggested time periods for moving the markets (5 minutes if the variation greater than 5% but less than 10% and 10 minutes if the variation is 10% or more) appropriate?

Application to Access Persons

7. The proposal recommends that an Access Person when trading directly and not through a dealer should be subject to the requirement that they execute first as against better-priced orders on any marketplace to which they have access as an Access Person.

Should an Access Person who is neither a dealer nor trading through a dealer be subject to the requirement to take reasonable steps to execute first as against better priced orders on any marketplace to which the Access Person has access?

Should the proposal apply to an Access Person who is a non-resident?

Appendices

The text of the proposed amendments to UMIR related to off-marketplace trades 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. Appendix “B” also contains a marked version of the current provisions highlighting the changes being introduced by the amendments.

Questions

Questions concerning this notice may be directed to:

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Appendix "A"

Universal Market Integrity Rules

Amendments to the Rules and Policies
Related to Off-Marketplace Trades

The Universal Market Integrity Rules are hereby amended as follows:

1. Rule 1.1 is amended by adding the following definitions of "Canadian account", "designated block trade", "disclosed volume", "organized regulated market", "non-Canadian account" and "trading increment":

"Canadian account" means an account other than a non-Canadian account.

"designated block trade" means an intentional cross or a pre-arranged trade of a listed security or quoted security that at the time of approval by a Market Regulator:

(a) would be made at a price that:

(i) would not be less than the lesser of:

(A) 95% of the best bid price; and

(B) 10 trading increments less than the best bid price; and

(ii) would not be more than the greater of:

(A) 105% of the best ask price, and

(B) 10 trading increments more than the best ask price; and

(b) if executed, would:

(i) have a value of $25,000,000, or

(ii) constitute a trade of 10% or more of the issued and outstanding securities of the listed security or quoted security.

"disclosed volume" means the aggregate of the number of units of a listed security or quoted security relating to each order for that security entered on a marketplace and displayed in a consolidated market display at or above the intended price of a designated block trade in the case of a purchase or at or below the intended price of a designated block trade or wide distribution trades in the case of a sale, determined at the time of entry on a marketplace but not including:

(a) a Special Terms Order unless the order could be executed in whole, according to the terms of the order;

(b) a Call Market Order;

(c) a Volume-Weighted Average Price Order;

(d) a Market-on-Close Order; or

(e) an Opening Order.

"non-Canadian account" means an account of a client of the Participant or a client of an affiliated entity of the Participant held by a Participant or an affiliated entity of a Participant and the client is considered to be a non-resident for the purposes of the *Income Tax Act* (Canada).

"organized regulated market" means a market outside of Canada:

(a) that is an exchange, quotation or trade reporting system, alternative trading system or similar facility recognized by or registered with a securities regulatory authority that is an ordinary member of the International Organization of Securities Commissions;

(b) on which the entry of orders and the execution of trades is monitored for compliance with regulatory requirements at the time of entry and execution by a self-regulatory organization recognized by the securities regulatory authority or by the market if the market has been empowered by the securities regulatory authority to monitor the entry of orders and the execution of trades on that market for compliance with regulatory requirements; and

(c) that displays and provides timely information to data vendors, information processors or persons providing similar functions respecting the dissemination of data to market participants for that market of at least the price, volume and security identifier of each order at the time of entry of the order on that market and at least the price, volume and security identifier of each trade at the time of execution or reporting of the trade on that market,

but, for greater certainty, does not include a facility of a market to which trades executed over-the-counter are reported unless:

(d) the trade must be reported forthwith following execution;

(e) at the time of the report, the trade is monitored for compliance with securities regulatory requirements; and

(f) at the time of the report, timely information respecting the trade is provided to data vendors, information processors or persons providing similar functions respecting the dissemination of data to market participants for that market.

"trading increment" means the minimum difference in price at which orders may be entered in accordance with Rule 6.1.

2. Rule 3.1(2) is amended by adding the following as clause (h):

(h) made in furtherance of the displacement obligation of the Participant in accordance with Policy 2.1.

3. Rule 4.1 is amended by deleting in clause (a) of subsection (1) the phrase "stock exchange or market" and substituting "organized regulated market or other market".

4. Subsection (1) of Rule 6.1 is amended by adding at the end of the subsection the phrase "in respect of an order with a price of less than $0.50".

5. Rule 6.4 is amended by:

(a) deleting clause (d) and substituting the following:

(d) **On an Organized Regulated Market -** executed on an organized regulated market and, if the value of the trade in a listed security or a quoted security was $25,000,000 or more or if the number of units traded constitutes 10% or more of the issued and outstanding securities of the listed security or quoted security, the trade shall also be reported to a Market Regulator not later than the commencement of trading in that listed security or quoted security on a marketplace on the next trading day.

(b) deleting clause (e) and substituting the following:

(e) **Outside of Canada -** executed as principal with a non-Canadian account or as agent if both the purchasers and seller are non-Canadian accounts provided the trade is reported to:

(i) a marketplace or an organized regulated market in accordance with the reporting requirements of the marketplace or organized regulated market, and

(ii) if the trade is in a listed security or quoted security and the value of the trade is $25,000,000 or more or if the number of units traded constitutes 10% or more of the issued and outstanding securities of the listed security or quoted security, a Market Regulator not later than the commencement of trading in that listed security or quoted security on a marketplace on the next trading day.

(c) inserting the following as clause (i):

(i) **Non-Regulatory Halt, Delay or Suspension** – in a listed security or quoted security in respect of which trading has been halted, delayed or suspended in circumstances described in clause (3)(a) or subclause (3)(b)(i) of Rule 9.1 that is not listed, quoted or traded on a marketplace other than the Exchange or QTRS on which the security is halted, delayed or suspended provided such trade is reported to a marketplace.

6. Subsection (4) of Rule 9.1 is amended by deleting the phrase "exchange or organized regulated market that publicly disseminates details of trades in that market" and substituting "organized regulated market".

The Policies to the Universal Market Integrity Rules are hereby amended as follows:

1. Part 1 of Policy 2.1 is amended by:

(a) inserting the following after the first paragraph:

Each Participant and Access Person has been granted access to trading on at least one marketplace. Given that access, each Participant and Access Person may have, directly or indirectly, access to orders on other marketplaces and each Participant and Access Person receives the benefit under various Rules of the "best ask price", "best bid price", "better price" and "last sale price" as disclosed in a consolidated market display. As a result, each Participant and each Access Person owes an obligation to the "market" generally. The Canadian market envisaged by the Marketplace Operation Instrument consists of integrated marketplaces with pre-trade and post-trade transparency on some form of consolidated basis. While there would be competition between marketplaces based on the facilities and services which they offered, persons with access to a marketplace would be expected to support the integrity of the overall market by not intentionally bypassing better-priced orders on one marketplace in favour of the execution of the order on a particular marketplace or organized regulated market. In determining whether a Participant or Access Person had undertaken reasonable efforts to satisfy this aspect of the obligation to transact business openly and fairly, consideration would be given to whether:

- the Participant or Access Person had access to the marketplace with the better-priced order or orders and the additional costs that would be incurred in accessing such order or orders; and
- the Participant has met the displacement obligation set out in Part 2 of this Policy.

If the Market Regulator determines that a Participant or Access Person has not undertaken reasonable efforts to ensure that better-priced orders are not bypassed, the Market Regulator may require the Participant or Access Person to satisfy the better bid or offer up to the volume of the trade which failed to comply with this Policy.

The requirement to access better-priced orders on a marketplace does not apply when a Participant is trading as principal with a non-Canadian account or trading as agent on behalf of the buyer and the seller, both of whom are non-Canadian accounts. These circumstances have been excluded on the basis that requirements of the foreign jurisdiction should be applied. Orders which originate in Canada should be handled, at least initially, in accordance with Canadian requirements. As such, Canadian requirements would determine whether an order originating in Canada is permitted or required to be entered or executed on a foreign market.

The requirement to access better-priced orders on a marketplace does not apply to an Access Person when the order of the Access Person is handled as a client order by a Participant or by any dealer in a Canadian jurisdiction as agent for the Access Person.

(b) deleting in the second paragraph the phrase "just and equitable principles of trade" , in each instance that it occurs, and substituting "requirements to conduct business openly and fairly".

2. Part 2 of Policy 2.1 is repealed and the following substituted:

Part 2 – Moving Markets to Execute a Trade

A Participant or Access Person intending to execute a pre-arranged trade or an intentional cross is expected to take reasonable steps prior to executing the pre-arranged trade or intentional cross to ensure that any order on any marketplace at a price that is the "same" or "better" than the intended price of the pre-arranged trade or intentional cross price is filled. In filling the "same" or "better" priced orders, the Participant or Access Person is expected to move the market in an orderly manner to the price which will permit the trade to be executed on a marketplace. A Participant

or Access Person wanting to undertake a pre-arranged trade or intentional cross shall obtain the prior approval of the Market Regulator if the price at which the pre-arranged trade or the intentional cross is to be made:

- will be less than the lesser of 95% of the best bid price and the best bid price less 10 trading increments; or
- will be more than the greater of 105% of the best ask price and the best ask price plus 10 trading increments.

As a condition for granting approval of the trade, the Market Regulator may require the Participant or Access Person to enter a series of orders on one or more marketplaces over a period of time considered reasonable by the Market Regulator in order to move the market price to the price at which the pre-arranged trade or intentional cross will occur. As a general guideline, the time period will generally not be less than 5 minutes if the price variation from the best ask price or best bid price, as applicable, is more than 5% but less than 10% and not less than 10 minutes if the price variation is 10% or more.

If the price at which the pre-arranged trade or the intentional cross is to be made:

- will **not** be less than the lesser of 95% of the best bid price and the best bid price less 10 trading increments; and
- will **not** be more than the greater of 105% of the best ask price and the best ask price plus 10 trading increments,

the prior approval of the Market Regulator is not required and the market may be moved concurrent with the entry of the pre-arranged trade or the intentional cross.

If the pre-arranged trade or intentional cross would qualify as a “designated block trade”, a Participant can limit the number of securities that have to be bought or sold in an attempt to move the market. A Participant may request that a Market Regulator approve a pre-arranged trade or intentional cross as a “designated block trade” prior to the entry of the orders on a marketplace. If the Market Regulator provides approval for such order, the obligation of the Participant to move the market will be “capped” at the disclosed volume at the time of the approval of the Market Regulator (the “displacement obligation”).

Where the block trade has been negotiated outside of the trading hours of a marketplace, the disclosed volume would be determined at or after the opening of a marketplace on which that security is traded (as this would ensure that the disclosed volume reflected all “after hours” news regarding the market generally or the particular issuer whose securities were included in the block trade).

Prior to the entry on a marketplace of the order that would qualify as a “designated block trade”, the Participant would obtain the approval of a Market Regulator. Upon receiving the approval of the Market Regulator, the Participant would enter a “fill and kill order” on each marketplace for the disclosed volume on that marketplace. The designated block trade may then be executed on a marketplace at the intended price without further interference from any orders on that or any other marketplace. At the option of the Participant, the sales or purchases required to meet the displacement obligation may reduce the size of the designated block trade or be settled from or to the inventory of the Participant. If the designated block trade could not then be executed on a marketplace, the Participant would be entitled to complete the trade as an “off-marketplace” trade and to report the trade to a marketplace.

Upon approval of a “designated block trade”, the Market Regulator will co-ordinate with the Participant and each marketplace the entry and execution of the orders to satisfy:

- the displacement obligation; and
- the designated block trade.

In particular:

- orders included in the disclosed volume would be guaranteed a fill; and
- the undisclosed volume of any “iceberg” orders would not be filled.

If the marketplace on which the Participant enters orders in fulfillment of the displacement obligations has a market making system, the market maker may participate in the trades as a result of automatic rights or entitlements in accordance with the applicable Marketplace Rules governing Market Maker Obligations provided such participation

reduces the displacement obligation of the Participant. Orders of a market maker which are included in the disclosed volume are entitled to be filled.

Any short sale undertaken by a Participant to meet displacement obligations would be exempt from the price restrictions on short sales.

3. Part 2 of Policy 5.2 is repealed and the following substituted:

Part 2 – Trade-Through of Marketplaces

Subject to the qualification of the "best price obligation" as set out in Part 1, Participants may not intentionally trade through a better bid or offer on a marketplace by making a trade at an inferior price (either one-sided or a cross) on another marketplace or on an organized regulated market. This Policy applies even if the client consents to the trade on the other marketplace or the organized regulated market at the inferior price. Participants may make the trade on that other marketplace or organized regulated market if the better bids or offers, as the case may be, on marketplaces are filled first or coincidentally with the trade on the other marketplace or organized regulated market. The time of order entry is the time that is relevant for determining whether there is a better price on a marketplace.

This Policy applies to "active orders". An "active order" is an order that may cause a trade-through by executing against an existing bid or offer on a marketplace or an organized regulated market at a price that is inferior to the bid or ask price on another marketplace at the time.

A trade by a Participant as agent for a non-Canadian account is not subject to this Policy. For example, an order to sell from a non-Canadian account on the New York Stock Exchange, NASDAQ or other organized regulated market at a price below the bid price on a marketplace may be executed by the Participant.

4. Part 3 of Policy 5.2 is amended by:

(a) deleting the phrase "mid-market spot rate or 7-day forward exchange rate in effect at the time of the trade, plus or minus 15 basis points" and inserting "exchange rate the Participant would have applied in respect of a trade of similar size on an organized regulated market in that foreign jurisdiction".

(b) adding at the end of the Part the following sentence: "A Participant shall maintain with the record of the order the exchange rate used for the purpose of determining whether a better price existed on a marketplace and such information shall be provided to the Market Regulator upon request in such form and manner as may be reasonably required by the Market Regulator in accordance with subsection (3) of Rule 10.11."

5. The following is added as Policy 6.1:

POLICY 6.1 – ENTRY OF ORDERS TO A MARKETPLACE

Notwithstanding that all orders for a security at a price of $0.50 or more must be entered on a marketplace at a price that does not include a fraction or a part of a cent, an order which is entered on a marketplace as Call Market Order or a Volume-Weighted Average Price Order may execute and be reported in an increment of one-half of one cent in accordance with the method of calculation of the trade price established by the marketplace on which the order has traded.

6. Policy 6.4 is deleted and the following substituted:

Part 1 – Trades Outside of Marketplace Hours

In accordance with section 6.1 of National Instrument 23-101, each marketplace shall set requirements in respect of the hours of trading to be observed by marketplace participants. Occasions may arise when a Participant may wish to make an agreement to trade as principal with a Canadian account, or to arrange a trade between a Canadian account and a non-Canadian account, outside of the trading hours of any marketplace that trades the particular security.

Rule 6.4 states that all trades must be executed on a marketplace unless otherwise exempted from this requirement. This Policy clarifies the procedure to be followed when a Participant wishes to make such a transaction. Participants are reminded of the exemption in clause (d) of Rule 6.4 that permits a trade on an organized regulated market. Participants are also reminded of the exemption in clause (e) of Rule 6.4 that permits them to trade as principal with non-Canadian accounts off of a marketplace provided that any unwinding trade with a Canadian account is made in accordance with Rule 6.4.

A Participant may make an agreement to trade in a listed security or a quoted security with a Canadian account as principal or as agent outside of the trading hours of marketplaces, however, such agreements must be made conditional on execution of the trade on a marketplace or on an organized regulated market. There is no trade until such time as there is an execution on a marketplace or an organized regulated market or the trade is otherwise completed in accordance with one of the exemptions set out in Rule 6.4. The trade on a marketplace is to be done at or immediately following the opening of the marketplace on which the order is entered. A Participant may cross the trade at the agreed-upon price provided that the normal Requirements on order displacement are followed or the trade is completed as a designated block trade in accordance with Part 2 of Policy 2.1. If the Participant determines that the condition of recording the agreement to trade on a marketplace or organized regulated market cannot be met, the agreement to trade shall be cancelled. Use of an error account to preserve the transaction is prohibited.

Part 2 – Application to Foreign Affiliates and Others

The Market Regulator considers that any use by a Participant of another person that is not subject to Rule 6.4 in order to make a trade off of a marketplace (other than as permitted by one of the exemptions) to be a violation of the requirement to conduct business openly and fairly and in accordance with just and equitable principles of trade.

Although certain affiliated entities of a Participant, including their foreign affiliates, are not directly subject to Requirements, Rule 6.4 means that a Participant may not transfer an order to a foreign affiliate, or book a trade through a foreign affiliate, and execute the order in a manner that does not comply with Rule 6.4. In other words, an order directed to a foreign affiliate by the Participant or any other person subject to Rule 6.4 shall be executed on a marketplace unless one of the exemptions set out in Rule 6.4 applies. Foreign branch offices of a Participant are not separate from the Participant and as such are subject to Requirements.

Part 3 – Non-Canadian Accounts

Clause (e) of Rule 6.4 permits a Participant to trade off of a marketplace either as principal or as agent with a non-Canadian account. A "non-Canadian account" is defined as an account of a client of the Participant or a client of an affiliated entity of the Participant held by a Participant or an affiliated entity of a Participant and the client is considered to be a non-resident for the purposes of the *Income Tax Act* (Canada). There may be certain situations arising where a Participant is uncertain whether a particular account is a "non-Canadian account" for the purpose of this exemption. In these situations the account should be treated as a “Canadian account”. The fact that an individual may be located temporarily outside of Canada, that a foreign location is used to place the order or as the address for settlement or confirmation of the trade does not alter the account's status as a Canadian account. Trades made by or on behalf of bona fide foreign subsidiaries of Canadian institutions are considered to be non-Canadian accounts, if the order is placed by the foreign subsidiary.

For the purpose of this Policy, the relevant client of the Participant is the person to whom the order is confirmed.

Part 4 – Reporting Foreign Trades

Clause (e) of Rule 6.4 requires a Participant to report to a marketplace any trade in a listed security or a quoted security that is made as principal with a non-Canadian account or as agent if both the purchaser and seller are non-Canadian accounts, unless the trade is reported to an organized regulated market. If such an “outside Canada” trade has not been reported to an organized regulated market, a Participant shall report such trade to a marketplace no later than the close of business on the next trading day. The report shall identify the security, volume, price (in the currency of the trade and in Canadian dollars) and time of the trade.

In addition, clauses (d) and (e) of Rule 6.4 require a Participant to report to a Market Regulator any trade in a listed security or quoted security with a value of $25,000,000 or more if the trade has been executed on an organized regulated market or has been executed as principal with a non-Canadian account or as agent if both the purchaser and seller are non-Canadian accounts. The report to the Market Regulator shall be made not later than the commencement of trading in that listed security or quoted security on a marketplace on the next trading day. The report shall identify the security, volume, price (in the currency of the trade and in Canadian dollars) and time of the trade. If the trade has been executed on an organized regulated market, the report to the Market Regulator shall identify the organized regulated market. If the trade has been reported to or will be reported to an organized regulated market, the report to the Market Regulator shall identify the organized regulated market and the time of the report to that market or the deadline for filing of the report with the organized regulated market if the report has not yet been filed.

Part 5 – Application of UMIR to Orders Not Entered on a Marketplace

Under Rule 6.4, a Participant, when acting as principal or agent, may not trade nor participate in a trade in a security by means other than the entry of an order on a marketplace except in accordance with an exemption specifically enumerated within Rule 6.4. For the purposes of UMIR, a "marketplace" is defined as an Exchange, QTRS or an ATS and a "Participant" is defined essentially as a dealer registered in accordance with securities legislation of any jurisdiction and who is a member of an Exchange, a user of a QTRS or a subscriber to an ATS. If a person is a Participant, certain provisions of UMIR will apply to every order handled by that Participant even if the order is entered or executed on a marketplace that has not adopted UMIR as its market integrity rules or if the order is executed over-the-counter. In particular, the following provisions of UMIR will apply to an order handled by a Participant notwithstanding that the order is not entered on a marketplace that has adopted UMIR:

- Rule 2.1 requires a Participant to transact business openly and fairly and in accordance with just and equitable principles of trade when trading on a marketplace or trading or otherwise dealing in securities which are eligible to be traded on a marketplace;
- Rule 4.1 prohibits a Participant from frontrunning certain client orders;
- Part 5 dealing with the "best execution obligation" of a Participant in respect of a client order;
- Rule 8.1 governing client-principal trading; and
- Rule 9.1 governing regulatory halts, delays and suspensions of trading.

In accordance with Rule 11.9, UMIR will not apply to an order that is entered or executed on a marketplace in accordance with the Marketplace Rules of that marketplace as adopted in accordance with Part 7 of the Trading Rules or if the order is entered and executed on a marketplace or otherwise in accordance with the rules of an applicable regulation services provider or in accordance with the terms of an exemption from the application of the Trading Rules.

7. The following is added as Policy 7.5:

POLICY 7.5 - RECORDED PRICES

If the price of:

- an internal cross or intentional cross to be recorded on a marketplace; or
- a trade that has been executed outside of Canada that is to be reported to a marketplace in accordance with clause (e) of Rule 6.4,

has been agreed to in a foreign currency and the trade is to be recorded or reported in Canadian currency, the price in foreign currency shall be converted to Canadian dollars using the exchange rate the Participant would have applied in respect of a trade of similar size on an organized regulated market at the time of the internal cross, intentional cross or execution of the trade outside of Canada. If the trade price converted into Canadian currency falls between two trading increments for the marketplace on which the cross is to be entered or the trade reported, trades shall be recorded or reported at each of the trading increments immediately above and below the converted price for the number of units of the security that yields the appropriate average price per unit of the security. A Participant shall maintain with the record of the order the exchange rate used for the purpose of entering the internal cross or intentional cross or reporting the foreign trade and such information shall be provided to the Market Regulator upon request in such form and manner as may be reasonably required by the Market Regulator in accordance with Rule 10.11(3).

8. Part 1 of Policy 8.1 is amended by deleting the last two sentences of the first paragraph and substituting the following:

If the security is traded on more than one marketplace, the client must receive, when the Participant is buying, a higher price than the best bid price, and, if the Participant is selling, the client must pay a lower price than the best ask price.

Appendix "B"

Universal Market Integrity Rules

Text of Rules and Policies to Reflect Proposed Amendments
Related to Off-Marketplace Trades

Text of Provisions Following Adoption of Proposed Amendments	Text of Current Provisions Marked to Reflect Adoption of Proposed Amendments
1.1 Definitions	**1.1 Definitions**
"Canadian account" means an account other than a non-Canadian account.	**"Canadian account"** means an account other than a non-Canadian account.
"designated block trade" means an intentional cross or a pre-arranged trade of a listed security or quoted security that at the time of approval by a Market Regulator: (a) would be made at a price that: (i) would not be less than the lesser of: (A) 95% of the best bid price; and (B) 10 trading increments less than the best bid price; and (ii) would not be more than the greater of: (A) 105% of the best ask price, and (B) 10 trading increments more than the best ask price; and (b) if executed, would: (i) have a value of $25,000,000, or (ii) constitute a trade of 10% or more of the issued and outstanding securities of the listed security or quoted security.	**"designated block trade"** means an intentional cross or a pre-arranged trade of a listed security or quoted security that at the time of approval by a Market Regulator: (a) would be made at a price that: (i) would not be less than the lesser of: (A) 95% of the best bid price; and (B) 10 trading increments less than the best bid price; and (ii) would not be more than the greater of: (A) 105% of the best ask price, and (B) 10 trading increments more than the best ask price; and (b) if executed, would: (i) have a value of $25,000,000, or (ii) constitute a trade of 10% or more of the issued and outstanding securities of the listed security or quoted security.
"disclosed volume" means the aggregate of the number of units of a listed security or quoted security relating to each order for that security entered on a marketplace and displayed in a consolidated market display at or above the intended price of a designated block trade in the case of a purchase or at or below the intended price of a designated block trade or wide distribution trades in the case of a sale, determined at the time of entry on a marketplace but not including: (a) a Special Terms Order unless the order could be executed in whole, according to the terms of the order; (b) a Call Market Order; (c) a Volume-Weighted Average Price Order; (d) a Market-on-Close Order; or	**"disclosed volume"** means the aggregate of the number of units of a listed security or quoted security relating to each order for that security entered on a marketplace and displayed in a consolidated market display at or above the intended price of a designated block trade in the case of a purchase or at or below the intended price of a designated block trade or wide distribution trades in the case of a sale, determined at the time of entry on a marketplace but not including: (a) a Special Terms Order unless the order could be executed in whole, according to the terms of the order; (b) a Call Market Order; (c) a Volume-Weighted Average Price Order; (d) a Market-on-Close Order; or

Text of Provisions Following Adoption of Proposed Amendments	Text of Current Provisions Marked to Reflect Adoption of Proposed Amendments
(e) an Opening Order.	(e) an Opening Order.
"non-Canadian account" means an account of a client of the Participant or a client of an affiliated entity of the Participant held by a Participant or an affiliated entity of a Participant and the client is considered to be a non-resident for the purposes of the *Income Tax Act* (Canada).	**"non-Canadian account"** means an account of a client of the Participant or a client of an affiliated entity of the Participant held by a Participant or an affiliated entity of a Participant and the client is considered to be a non-resident for the purposes of the *Income Tax Act* (Canada).
"organized regulated market" means a market outside of Canada: (a) that is an exchange, quotation or trade reporting system, alternative trading system or similar facility recognized by or registered with a securities regulatory authority that is an ordinary member of the International Organization of Securities Commissions; (b) on which the entry of orders and the execution of trades is monitored for compliance with regulatory requirements at the time of entry and execution by a self-regulatory organization recognized by the securities regulatory authority or by the market if the market has been empowered by the securities regulatory authority to monitor the entry of orders and the execution of trades on that market for compliance with regulatory requirements; and (c) that displays and provides timely information to data vendors, information processors or persons providing similar functions respecting the dissemination of data to market participants for that market of at least the price, volume and security identifier of each order at the time of entry of the order on that market and at least the price, volume and security identifier of each trade at the time of execution or reporting of the trade on that market, but, for greater certainty, does not include a facility of a market to which trades executed over-the-counter are reported unless: (d) the trade must be reported forthwith following execution; (e) at the time of the report, the trade is monitored for compliance with securities regulatory requirements; and (f) at the time of the report, timely information respecting the trade is provided to data vendors, information processors or persons providing similar functions respecting the dissemination of data to market participants for that market.	**"organized regulated market"** means a market outside of Canada: (a) that is an exchange, quotation or trade reporting system, alternative trading system or similar facility recognized by or registered with a securities regulatory authority that is an ordinary member of the International Organization of Securities Commissions; (b) on which the entry of orders and the execution of trades is monitored for compliance with regulatory requirements at the time of entry and execution by a self-regulatory organization recognized by the securities regulatory authority or by the market if the market has been empowered by the securities regulatory authority to monitor the entry of orders and the execution of trades on that market for compliance with regulatory requirements; and (c) that displays and provides timely information to data vendors, information processors or persons providing similar functions respecting the dissemination of data to market participants for that market of at least the price, volume and security identifier of each order at the time of entry of the order on that market and at least the price, volume and security identifier of each trade at the time of execution or reporting of the trade on that market, but, for greater certainty, does not include a facility of a market to which trades executed over-the-counter are reported unless: (d) the trade must be reported forthwith following execution; (e) at the time of the report, the trade is monitored for compliance with securities regulatory requirements; and (f) at the time of the report, timely information respecting the trade is provided to data vendors, information processors or persons providing similar functions respecting the dissemination of data to market participants for that market.
"trading increment" means the minimum difference	**"trading increment"** means the minimum difference

Text of Provisions Following Adoption of Proposed Amendments	Text of Current Provisions Marked to Reflect Adoption of Proposed Amendments
in price at which orders may be entered in accordance with Rule 6.1.	in price at which orders may be entered in accordance with Rule 6.1.
3.1 Restrictions on Short Selling (2) A short sale of a security may be made on a marketplace at a price below the last sale price if the sale is: … (h) made in furtherance of the obligation of the Participant in accordance with Part 2 of Policy 2.1.	**3.1 Restrictions on Short Selling** (2) A short sale of a security may be made on a marketplace at a price below the last sale price if the sale is: … (h) made in furtherance of the obligation of the Participant in accordance with Part 2 of Policy 2.1.
4.1 Frontrunning (1) A Participant with knowledge of a client order that on entry could reasonably be expected to affect the market price of a security, shall not, prior to the entry of such client order: (a) enter a principal order or a non-client order on a marketplace, organized regulated market or other market, including any over-the-counter market, for the purchase or sale of the security or any related security; …	**4.1 Frontrunning** (1) A Participant with knowledge of a client order that on entry could reasonably be expected to affect the market price of a security, shall not, prior to the entry of such client order: (a) enter a principal order or a non-client order on a marketplace, ~~stock exchange or market~~ organized regulated market or other market, including any over-the-counter market, for the purchase or sale of the security or any related security; …
6.1 Entry of Orders to a Marketplace (1) No order to purchase or sell a security shall be entered to trade on a marketplace at a price that includes a fraction or a part of cent other than an increment of one-half of one cent in respect of an order with a price of less than $0.50.	**6.1 Entry of Orders to a Marketplace** (1) No order to purchase or sell a security shall be entered to trade on a marketplace at a price that includes a fraction or a part of cent other than an increment of one-half of one cent in respect of an order with a price of less than $0.50.
6.4 Trades to be on a Marketplace A Participant acting as principal or agent may not trade nor participate in a trade in a security by means other than the entry of an order on a marketplace unless the trade is: … (d) **On an Organized Regulated Market -** executed on an organized regulated market and, if the value of the trade in a listed security or a quoted security was $25,000,000 or more or if the number of units traded constitutes 10% or more of the issued and outstanding securities of the listed security or quoted security, the trade shall also be reported to a Market Regulator not later than the commencement of trading in that listed security or quoted security on a marketplace on the next trading day;	**6.4 Trades to be on a Marketplace** A Participant acting as principal or agent may not trade nor participate in a trade in a security by means other than the entry of an order on a marketplace unless the trade is: … (d) **On ~~Another Market~~ an Organized Regulated Market -** executed on ~~another exchange or~~ an organized regulated market ~~that publicly disseminates details of trades in that market~~ and, if the value of the trade in a listed security or a quoted security was $25,000,000 or more or if the number of units traded constitutes 10% or more of the issued and outstanding securities of the listed security or quoted security, the trade shall also be reported to a Market Regulator not later than the commencement of trading in that listed

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(e) **Outside of Canada -** executed as principal with a non-Canadian account or as agent if both the purchasers and seller are non-Canadian accounts provided the trade is reported to: (i) a marketplace or an organized regulated market in accordance with the reporting requirements of the marketplace or organized regulated market, and (ii) if the trade is in a listed security or quoted security and the value of the trade is $25,000,000 or more or more or if the number of units traded constitutes 10% or more of the issued and outstanding securities of the listed security or quoted security, a Market Regulator not later than the commencement of trading in that listed security or quoted security on a marketplace on the next trading day; … (i) **Non-Regulatory Halt, Delay or Suspension** – in a listed security or quoted security in respect of which trading has been halted, delayed or suspended in circumstances described in clause (3)(a) or subclause (3)(b)(i) of Rule 9.1 that is not listed, quoted or traded on a marketplace other than the Exchange or QTRS on which the security is halted, delayed or suspended provided such trade is reported to a marketplace.	security or quoted security on a marketplace on the next trading day; (e) **Outside of Canada -** executed as principal with a non-Canadian account or as agent if both the purchasers and seller are non-Canadian accounts provided ~~such~~ the trade is reported to ~~a marketplace or to a stock exchange or organized regulated market that publicly disseminates details of trades in that market~~: (i) a marketplace or an organized regulated market in accordance with the reporting requirements of the marketplace or organized regulated market, and (ii) if the trade is in a listed security or quoted security and the value of the trade is $25,000,000 or more or if the number of units traded constitutes 10% or more of the issued and outstanding securities of the listed security or quoted security, a Market Regulator not later than the commencement of trading in that listed security or quoted security on a marketplace on the next trading day; … (i) **Non-Regulatory Halt, Delay or Suspension** – in a listed security or quoted security in respect of which trading has been halted, delayed or suspended in circumstances described in clause (3)(a) or subclause (3)(b)(i) of Rule 9.1 that is not listed, quoted or traded on a marketplace other than the Exchange or QTRS on which the security is halted, delayed or suspended provided such trade is reported to a marketplace.
9.1 Regulatory Halts, Delays and Suspensions of Trading (4) **Trading Outside Canada During Regulatory Halts, Delays and Suspensions –** If trading in a security has been prohibited on a marketplace in accordance with clauses (1)(b), (c) or (d) or subsection (2), a Participant may execute a trade in the security, if permitted by applicable securities legislation, outside of Canada on an organized regulated market.	**9.1 Regulatory Halts, Delays and Suspensions of Trading** (4) **Trading Outside Canada During Regulatory Halts, Delays and Suspensions –** If trading in a security has been prohibited on a marketplace in accordance with clauses (1)(b), (c) or (d) or subsection (2), a Participant may execute a trade in the security, if permitted by applicable securities legislation, outside of Canada on an ~~exchange or organized regulated market that publicly disseminates details of trades in that market~~ organized regulated market.
POLICY 2.1 – JUST AND EQUITABLE PRINCIPLES **Part 1 – Examples of Unacceptable Activity**	***POLICY 2.1 – JUST AND EQUITABLE PRINCIPLES*** **Part 1 – Examples of Unacceptable Activity**

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Rule 2.1 provides that a Participant shall transact business openly and fairly and in accordance with just and equitable principles of trade when trading on a marketplace or trading or otherwise dealing in securities that are eligible to be traded on a marketplace. The Rule also provides that an Access Person shall transact business openly and fairly. As such, the Rule operates as a general anti-avoidance provision.	Rule 2.1 provides that a Participant shall transact business openly and fairly and in accordance with just and equitable principles of trade when trading on a marketplace or trading or otherwise dealing in securities that are eligible to be traded on a marketplace. The Rule also provides that an Access Person shall transact business openly and fairly. As such, the Rule operates as a general anti-avoidance provision.
Each Participant and Access Person has been granted access to trading on at least one marketplace. Given that access, each Participant and Access Person may have, directly or indirectly, access to orders on other marketplaces and each Participant and Access Person receives the benefit under various Rules of the "best ask price", "best bid price", "better price" and "last sale price" as disclosed in a consolidated market display. As a result, each Participant and each Access Person owes an obligation to the "market" generally. The Canadian market envisaged by the Marketplace Operation Instrument consists of integrated marketplaces with pre-trade and post-trade transparency on some form of consolidated basis. While there would be competition between marketplaces based on the facilities and services which they offered, persons with access to a marketplace would be expected to support the integrity of the overall market by not intentionally bypassing better-priced orders on one marketplace in favour of the execution of the order on a particular marketplace or organized regulated market. In determining whether a Participant or Access Person had undertaken reasonable efforts to satisfy this aspect of the obligation to transact business openly and fairly, consideration would be given to whether:	Each Participant and Access Person has been granted access to trading on at least one marketplace. Given that access, each Participant and Access Person may have, directly or indirectly, access to orders on other marketplaces and each Participant and Access Person receives the benefit under various Rules of the "best ask price", "best bid price", "better price" and "last sale price" as disclosed in a consolidated market display. As a result, each Participant and each Access Person owes an obligation to the "market" generally. The Canadian market envisaged by the Marketplace Operation Instrument consists of integrated marketplaces with pre-trade and post-trade transparency on some form of consolidated basis. While there would be competition between marketplaces based on the facilities and services which they offered, persons with access to a marketplace would be expected to support the integrity of the overall market by not intentionally bypassing better-priced orders on one marketplace in favour of the execution of the order on a particular marketplace or organized regulated market. In determining whether a Participant or Access Person had undertaken reasonable efforts to satisfy this aspect of the obligation to transact business openly and fairly, consideration would be given to whether:
• the Participant or Access Person had access to the marketplace with the better-priced order or orders and the additional costs that would be incurred in accessing such order or orders; and	• the Participant or Access Person had access to the marketplace with the better-priced order or orders and the additional costs that would be incurred in accessing such order or orders; and
• the Participant has met the displacement obligation set out in Part 2 of this Policy.	• the Participant has met the displacement obligation set out in Part 2 of this Policy.
If the Market Regulator determines that a Participant or Access Person has not undertaken reasonable efforts to ensure that better-priced orders are not bypassed, the Market Regulator may require the Participant or Access Person to satisfy the better bid or offer up to the volume of the trade which failed to comply with this Policy.	If the Market Regulator determines that a Participant or Access Person has not undertaken reasonable efforts to ensure that better-priced orders are not bypassed, the Market Regulator may require the Participant or Access Person to satisfy the better bid or offer up to the volume of the trade which failed to comply with this Policy.
The requirement to access better-priced orders on a marketplace does not apply when a Participant is trading as principal with a non-Canadian account or trading as agent on behalf of the buyer and the seller, both of whom are non-Canadian accounts. These circumstances have been excluded on the basis that requirements of the foreign jurisdiction should be applied. Orders which originate in Canada should be handled, at least initially, in accordance with Canadian requirements. As such, Canadian requirements would determine whether an order originating in Canada is permitted or required to be entered or executed on a foreign market.	The requirement to access better-priced orders on a marketplace does not apply when a Participant is trading as principal with a non-Canadian account or trading as agent on behalf of the buyer and the seller, both of whom are non-Canadian accounts. These circumstances have been excluded on the basis that requirements of the foreign jurisdiction should be applied. Orders which originate in Canada should be handled, at least initially, in accordance with Canadian requirements. As such, Canadian requirements would determine whether an order originating in Canada is permitted or required to be entered or executed on a foreign market.

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The requirement to access better-priced orders on a marketplace does not apply to an Access Person when the order of the Access Person is handled as a client order by a Participant or by any dealer in a Canadian jurisdiction as agent for the Access Person.	The requirement to access better-priced orders on a marketplace does not apply to an Access Person when the order of the Access Person is handled as a client order by a Participant or by any dealer in a Canadian jurisdiction as agent for the Access Person.
Participants and Access Persons who intentionally organize their business and affairs with the intent or for the purpose of avoiding the application of a Requirement may be considered to have engaged in behaviour that is contrary to the requirements to conduct business openly and fairly. For example, the Market Regulator considers that a person who is under an obligation to enter orders on a marketplace who "uses" another person to make a trade off of a marketplace (in circumstances where an "off-market exemption" is not available) to be violating just and equitable principles of trade.	Participants and Access Persons who intentionally organize their business and affairs with the intent or for the purpose of avoiding the application of a Requirement may be considered to have engaged in behaviour that is contrary to the ~~just and equitable principles of trade~~ requirements to conduct business openly and fairly. For example, the Market Regulator considers that a person who is under an obligation to enter orders on a marketplace who "uses" another person to make a trade off of a marketplace (in circumstances where an "off-market exemption" is not available) to be violating ~~just and equitable principles of trade~~requirements to conduct business openly and fairly.
Certain patterns of activity that can be undertaken that affect the marketplace but do not reach the level of manipulative and deceptive trading practices are nonetheless unavailable to Participant and Access Persons. For example, Rule 4.1 dealing with frontrunning is specifically tied to misuse of information when a Participant *knows* a client order will be entered. Somewhere between the Participant who acts on certain knowledge of a client order and the Participant who acts despite a single, uncertain expression of interest are the Participants that repeatedly take advantage of *expressions of interest* in particular securities. Such Participants are not conducting business openly and fairly and in accordance with just and equitable principles of trade. The "just and equitable principles" clause and the requirement transact business openly and fairly prevent such activity.	Certain patterns of activity that can be undertaken that affect the marketplace but do not reach the level of manipulative and deceptive trading practices are nonetheless unavailable to Participant and Access Persons. For example, Rule 4.1 dealing with frontrunning is specifically tied to misuse of information when a Participant *knows* a client order will be entered. Somewhere between the Participant who acts on certain knowledge of a client order and the Participant who acts despite a single, uncertain expression of interest are the Participants that repeatedly take advantage of *expressions of interest* in particular securities. Such Participants are not conducting business openly and fairly and in accordance with just and equitable principles of trade. The "just and equitable principles" clause and the requirement transact business openly and fairly prevent such activity.
Without limiting the generality of the Rule, the following are examples of activities by a Participant that would be considered to be in violation of just and equitable principles of trade:	Without limiting the generality of the Rule, the following are examples of activities by a Participant that would be considered to be in violation of just and equitable principles of trade:
(a) without the specific consent of the client, entering client and principal orders in such a manner as to attempt to obtain execution of a principal order in priority to the client order; (See Part 2 of Policy 5.3 – Client Priority for examples of the prohibition on "intentional trading ahead".)	(a) without the specific consent of the client, entering client and principal orders in such a manner as to attempt to obtain execution of a principal order in priority to the client order; (See Part 2 of Policy 5.3 – Client Priority for examples of the prohibition on "intentional trading ahead".)
(b) without the specific consent of the client, to vary the instructions of the client to indicate that securities held by the client are to participate in a dividend reinvestment plan such that the Participant would receive securities of the issuer and would account to the client for the dividend in cash;	(b) without the specific consent of the client, to vary the instructions of the client to indicate that securities held by the client are to participate in a dividend reinvestment plan such that the Participant would receive securities of the issuer and would account to the client for the dividend in cash;
(c) without the specific consent of the lender of securities, to vary the arrangements in respect of securities borrowed by the Participant to indicate that the borrowed securities are to participate in a dividend reinvestment plan such that the Participant would receive securities of the issuer and would account to the lender for the dividend in cash; and	(c) without the specific consent of the lender of securities, to vary the arrangements in respect of securities borrowed by the Participant to indicate that the borrowed securities are to participate in a dividend reinvestment plan such that the Participant would receive securities of the issuer and would

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(d) when trading a combined board lot/odd lot order for a listed security on an Exchange, entering the odd lot portion of the order prior to executing the board lot portion of the order as such order entry exposes the Registered Trader on the TSE or the Odd Lot Dealer on the CDNX to automatic odd lot trades at unreasonable prices.	account to the lender for the dividend in cash; and (d) when trading a combined board lot/odd lot order for a listed security on an Exchange, entering the odd lot portion of the order prior to executing the board lot portion of the order as such order entry exposes the Registered Trader on the TSE or the Odd Lot Dealer on the CDNX to automatic odd lot trades at unreasonable prices.
POLICY 2.1 – JUST AND EQUITABLE PRINCIPLES **Part 2 – Moving Markets to Execute a Trade** A Participant or Access Person intending to execute a pre-arranged trade or an intentional cross is expected to take reasonable steps prior to executing the pre-arranged trade or intentional cross to ensure that any order on any marketplace at a price that is the "same" or "better" than the intended price of the pre-arranged trade or intentional cross price is filled. In filling the "same" or "better" priced orders, the Participant or Access Person is expected to move the market in an orderly manner to the price which will permit the trade to be executed on a marketplace. A Participant or Access Person wanting to undertake a pre-arranged trade or intentional cross shall obtain the prior approval of the Market Regulator if the price at which the pre-arranged trade or the intentional cross is to be made: • will be less than the lesser of 95% of the best bid price and the best bid price less 10 trading increments; or • will be more than the greater of 105% of the best ask price and the best ask price plus 10 trading increments. As a condition for granting approval of the trade, the Market Regulator may require the Participant or Access Person to enter a series of orders on one or more marketplaces over a period of time considered reasonable by the Market Regulator in order to move the market price to the price at which the pre-arranged trade or intentional cross will occur. As a general guideline, the time period will generally not be less than 5 minutes if the price variation from the best ask price or best bid price, as applicable, is more than 5% but less than 10% and not less than 10 minutes if the price variation is10% or more. If the price at which the pre-arranged trade or the intentional cross is to be made: • will **not** be less than the lesser of 95% of the best bid price and the best bid price less 10 trading increments; and • will **not** be more than the greater of 105% of the best ask price and the best ask price plus 10 trading increments, the prior approval of the Market Regulator is not required	***POLICY 2.1 – JUST AND EQUITABLE PRINCIPLES*** **Part 2 – Moving Markets to Execute a Trade** ~~A Participant or Access Person intending to execute a trade or a cross that will cause, during the course of a single trading day, a change in the price that is above the prevailing offer or below the prevailing bid by an amount greater than $1 in a security selling below $20, or greater than $2 in a security selling at or above $20, shall obtain the prior approval of the Market Regulator. The Participant or Access Person shall move the market to the price of the cross or the final trade of a one sided order (the "clean up price") in an orderly manner over a time period as directed by the Market Regulator. The length of time required to move the market will depend on the circumstances and the particular security involved. As a guideline, 10 to 15 minutes will be required for each movement of $1 in price. Particular securities may require a longer period of time.~~ ~~If the Market Regulator is given notice of a proposed trade or cross under this Policy shortly before the close of trading on marketplaces or the principal market for the security, the Market Regulator may disallow the trade if, in the opinion of the Market Regulator, there is not sufficient time to move the market to the clean-up price in an orderly manner before the close.~~ A Participant or Access Person intending to execute a pre-arranged trade or an intentional cross is expected to take reasonable steps prior to executing the pre-arranged trade or intentional cross to ensure that any order on any marketplace at a price that is the "same" or "better" than the intended price of the pre-arranged trade or intentional cross price is filled. In filling the "same" or "better" priced orders, the Participant or Access Person is expected to move the market in an orderly manner to the price which will permit the trade to be executed on a marketplace. A Participant or Access Person wanting to undertake a pre-arranged trade or intentional cross shall obtain the prior approval of the Market Regulator if the price at which the pre-arranged trade or the intentional cross is to be made: • will be less than the lesser of 95% of the best bid price and the best bid price less 10 trading increments; or • will be more than the greater of 105% of the best ask price and the best ask price plus 10 trading increments.

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and the market may be moved concurrent with the entry of the pre-arranged trade or the intentional cross. If the pre-arranged trade or intentional cross would qualify as a "designated block trade", a Participant can limit the number of securities that have to be bought or sold in an attempt to move the market. A Participant may request that a Market Regulator approve a pre-arranged trade or intentional cross as a "designated block trade" prior to the entry of the orders on a marketplace. If the Market Regulator provides approval for such order, the obligation of the Participant to move the market will be "capped" at the disclosed volume at the time of the approval of the Market Regulator (the "displacement obligation"). Where the block trade has been negotiated outside of the trading hours of a marketplace, the disclosed volume would be determined at or after the opening of a marketplace on which that security is traded (as this would ensure that the disclosed volume reflected all "after hours" news regarding the market generally or the particular issuer whose securities were included in the block trade). Prior to the entry on a marketplace of the order that would qualify as a "designated block trade", the Participant would obtain the approval of a Market Regulator. Upon receiving the approval of the Market Regulator, the Participant would enter a "fill and kill order" on each marketplace for the the disclosed volume on that marketplace. The designated block trade may then be executed on a marketplace at the intended price without further interference from any orders on that or any other marketplace. At the option of the Participant, the sales or purchases required to meet the displacement obligation may reduce the size of the designated block trade or be settled from or to the inventory of the Participant. If the designated block trade could not then be executed on a marketplace, the Participant would be entitled to complete the trade as an "off-marketplace" trade and to report the trade to a marketplace. Upon approval of a "designated block trade", the Market Regulator will co-ordinate with the Participant and each marketplace the entry and execution of the orders to satisfy: • the displacement obligation; and • the designated block trade. In particular: • orders included in the disclosed volume would be guaranteed a fill; and • the undisclosed volume of any "iceberg" orders would not be filled. If the marketplace on which the Participant enters orders in fulfillment of the displacement obligations has a market making system, the market maker may participate in the trades as a result of automatic rights or entitlements in accordance with the applicable Marketplace Rules	As a condition for granting approval of the trade, the Market Regulator may require the Participant or Access Person to enter a series of orders on one or more marketplaces over a period of time considered reasonable by the Market Regulator in order to move the market price to the price at which the pre-arranged trade or intentional cross will occur. As a general guideline, the time period will generally not be less than 5 minutes if the price variation from the best ask price or best bid price, as applicable, is more than 5% but less than 10% and not less than 10 minutes if the price variation is 10% or more. If the price at which the pre-arranged trade or the intentional cross is to be made: • will **not** be less than the lesser of 95% of the best bid price and the best bid price less 10 trading increments; and • will **not** be more than the greater of 105% of the best ask price and the best ask price plus 10 trading increments, the prior approval of the Market Regulator is not required and the market may be moved concurrent with the entry of the pre-arranged trade or the intentional cross. If the pre-arranged trade or intentional cross would qualify as a "designated block trade", a Participant can limit the number of securities that have to be bought or sold in an attempt to move the market. A Participant may request that a Market Regulator approve a pre-arranged trade or intentional cross as a "designated block trade" prior to the entry of the orders on a marketplace. If the Market Regulator provides approval for such order, the obligation of the Participant to move the market will be "capped" at the disclosed volume at the time of the approval of the Market Regulator (the "displacement obligation"). Where the block trade has been negotiated outside of the trading hours of a marketplace, the disclosed volume would be determined at or after the opening of a marketplace on which that security is traded (as this would ensure that the disclosed volume reflected all "after hours" news regarding the market generally or the particular issuer whose securities were included in the block trade). Prior to the entry on a marketplace of the order that would qualify as a "designated block trade", the Participant would obtain the approval of a Market Regulator. Upon receiving the approval of the Market Regulator, the Participant would enter a "fill and kill order" on each marketplace for the disclosed volume on that marketplace. The designated block trade may then be executed on a marketplace at the intended price without further interference from any orders on that or any other marketplace. At the option of the Participant, the sales or purchases required to meet the displacement obligation may reduce the size of the designated block trade or be settled from or to the inventory of the Participant. If the designated block trade could not then be executed on a marketplace, the Participant would

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governing Market Maker Obligations provided such participation reduces the displacement obligation of the Participant. Orders of a market maker which are included in the disclosed volume are entitled to be filled. Any short sale undertaken by a Participant to meet displacement obligations would be exempt from the price restrictions on short sales.	be entitled to complete the trade as an "off-marketplace" trade and to report the trade to a marketplace. Upon approval of a "designated block trade", the Market Regulator will co-ordinate with the Participant and each marketplace the entry and execution of the orders to satisfy: • the displacement obligation; and • the designated block trade. In particular: • orders included in the disclosed volume would be guaranteed a fill; and • the undisclosed volume of any "iceberg" orders would not be filled. If the marketplace on which the Participant enters orders in fulfillment of the displacement obligations has a market making system, the market maker may participate in the trades as a result of automatic rights or entitlements in accordance with the applicable Marketplace Rules governing Market Maker Obligations provided such participation reduces the displacement obligation of the Participant. Orders of a market maker which are included in the disclosed volume are entitled to be filled. Any short sale undertaken by a Participant to meet displacement obligations would be exempt from the price restrictions on short sales.
POLICY 5.2 – BEST PRICE OBLIGATION **Part 2 – Trade-Through of Marketplaces** Subject to the qualification of the "best price obligation" as set out in Part 1, Participants may not intentionally trade through a better bid or offer on a marketplace by making a trade at an inferior price (either one-sided or a cross) on another marketplace or on an organized regulated market. This Policy applies even if the client consents to the trade on the other marketplace or the organized regulated market at the inferior price. Participants may make the trade on that other marketplace or organized regulated market if the better bids or offers, as the case may be, on marketplaces are filled first or coincidentally with the trade on the other marketplace or organized regulated market. The time of order entry is the time that is relevant for determining whether there is a better price on a marketplace. This Policy applies to "active orders". An "active order" is an order that may cause a trade-through by executing against an existing bid or offer on a marketplace or an organized regulated market at a price that is inferior to the bid or ask price on another marketplace at the time. A trade by a Participant as agent for a non-Canadian account is not subject to this Policy. For example, an order to sell from a non-Canadian account on the New York Stock	**POLICY 5.2 – BEST PRICE OBLIGATION** **Part 2 – Trade-Through of Marketplaces** Subject to the qualification of the "best price obligation" as set out in Part 1, Participants may not intentionally trade through a better bid or offer on a marketplace by making a trade at an inferior price (either one-sided or a cross) on ~~a stock exchange or other organized market~~ another marketplace or on an organized regulated market. This Policy applies even if the client consents to the trade on the other ~~stock exchange or other organized market~~ marketplace or the organized regulated market at the inferior price. Participants may make the trade on that other ~~exchange or organized market~~ marketplace or organized regulated market if the better bids or offers, as the case may be, on marketplaces are filled first or coincidentally with the trade on the other ~~stock exchange or organized market~~ marketplace or organized regulated market. The time of order entry is the time that is relevant for determining whether there is a better price on a marketplace. This Policy applies to "active orders". An "active order" is an order that may cause a trade-through by executing against an existing bid or offer on ~~another stock exchange or organized market~~ a marketplace or an organized regulated market at a price that is inferior to the bid or ask price on ~~a~~ another marketplace at the time. ~~This Policy applies to~~

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Exchange, NASDAQ or other organized regulated market at a price below the bid price on a marketplace may be executed by the Participant.	~~trades for Canadian accounts and Participants' principal (inventory) accounts. The Policy also applies to Participants' principal trades on foreign over-the-counter markets made pursuant to the outside of Canada exemption in clause (e) of Rule 6.4. Trades for foreign accounts are not subject to this Policy because they are exempt from Rule 6.4 pursuant to the "outside of Canada" exemption set out in clause (e) of Rule 6.4.~~ A trade by a Participant as agent for a non-Canadian account is not subject to this Policy. For example, an order to sell from a non-Canadian account on the New York Stock Exchange, NASDAQ or other organized regulated market at a price below the bid price on a marketplace may be executed by the Participant.
POLICY 5.2 – BEST PRICE OBLIGATION **Part 3 – Foreign Currency Translation** If a trade is to be executed on a foreign market, the Participant shall determine whether there is in fact a better price on a marketplace. The foreign trade price shall be converted to Canadian dollars using the exchange rate the Participant would have applied in respect of a trade of similar size on an organized regulated market in that foreign jurisdiction. A better price on a marketplace must be "taken out" if there is more than a marginal difference between the price on the marketplace and the price on the other stock exchange or organized market. The Market Regulator regards a difference of one-half of a tick or less as "marginal" because the difference would be attributable to currency conversion. A Participant shall maintain with the record of the order the exchange rate used for the purpose of determining whether a better price existed on a marketplace and such information shall be provided to the Market Regulator upon request in such form and manner as may be reasonably required by the Market Regulator in accordance with subsection (3) of Rule 10.11.	**POLICY 5.2 – BEST PRICE OBLIGATION** **Part 3 – Foreign Currency Translation** If a trade is to be executed on a foreign market, the Participant shall determine whether there is in fact a better price on a marketplace. The foreign trade price shall be converted to Canadian dollars using the ~~mid-market spot rate or 7 day forward exchange rate in effect at the time of the trade, plus or minus 15 basis points~~ exchange rate the Participant would have applied in respect of a trade of similar size on an organized regulated market in that foreign jurisdiction. A better price on a marketplace must be "taken out" if there is more than a marginal difference between the price on the marketplace and the price on the other stock exchange or organized market. The Market Regulator regards a difference of one-half of a tick or less as "marginal" because the difference would be attributable to currency conversion. A Participant shall maintain with the record of the order the exchange rate used for the purpose of determining whether a better price existed on a marketplace and such information shall be provided to the Market Regulator upon request in such form and manner as may be reasonably required by the Market Regulator in accordance with subsection (3) of Rule 10.11.
POLICY 6.1 – ENTRY OF ORDERS TO A MARKETPLACE Notwithstanding that all orders for a security at a price of $0.50 or more must be entered on a marketplace at a price that does not include a fraction or a part of a cent, an order which is entered on a marketplace as Call Market Order or a Volume-Weighted Average Price Order may execute and be reported in an increment of one-half of one cent in accordance with the method of calculation of the trade price established by the marketplace on which the order has traded.	**POLICY 6.1 – ENTRY OF ORDERS TO A MARKETPLACE** Notwithstanding that all orders for a security at a price of $0.50 or more must be entered on a marketplace at a price that does not include a fraction or a part of a cent, an order which is entered on a marketplace as Call Market Order or a Volume-Weighted Average Price Order may execute and be reported in an increment of one-half of one cent in accordance with the method of calculation of the trade price established by the marketplace on which the order has traded.
POLICY 6.4 – TRADES TO BE ON A MARKETPLACE **Part 1 – Trades Outside of Marketplace Hours** In accordance with section 6.1 of National Instrument 23-101, each marketplace shall set requirements in respect of the hours of trading to be observed by marketplace	**POLICY 6.4 – TRADES TO BE ON A MARKETPLACE** **Part 1 – Trades Outside of Marketplace Hours** In accordance with section 6.1 of National Instrument 23-101, each marketplace shall set requirements in respect of the hours of trading to be observed by marketplace

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participants. Occasions may arise when a Participant may wish to make an agreement to trade as principal with a Canadian account, or to arrange a trade between a Canadian account and a non-Canadian account, outside of the trading hours of any marketplace that trades the particular security. Rule 6.4 states that all trades must be executed on a marketplace unless otherwise exempted from this requirement. This Policy clarifies the procedure to be followed when a Participant wishes to make such a transaction. Participants are reminded of the exemption in clause (d) of Rule 6.4 that permits a trade on an organized regulated market. Participants are also reminded of the exemption in clause (e) of Rule 6.4 that permits them to trade as principal with non-Canadian accounts off of a marketplace provided that any unwinding trade with a Canadian account is made in accordance with Rule 6.4. A Participant may make an agreement to trade in a listed security or a quoted security with a Canadian account as principal or as agent outside of the trading hours of marketplaces, however, such agreements must be made conditional on execution of the trade on a marketplace or on an organized regulated market. There is no trade until such time as there is an execution on a marketplace or an organized regulated market or the trade is otherwise completed in accordance with one of the exemptions set out in Rule 6.4. The trade on a marketplace is to be done at or immediately following the opening of the marketplace on which the order is entered. A Participant may cross the trade at the agreed-upon price provided that the normal Requirements on order displacement are followed or the trade is completed as a designated block trade in accordance with Part 2 of Policy 2.1. If the Participant determines that the condition of recording the agreement to trade on a marketplace or organized regulated market cannot be met, the agreement to trade shall be cancelled. Use of an error account to preserve the transaction is prohibited.	participants. Occasions may arise ~~where Participants~~ when a Participant may wish to make an agreement to trade as principal with a Canadian ~~client~~ account, or to arrange a trade between a Canadian ~~client~~ account and a non-Canadian ~~client~~ account, outside of the trading hours of ~~marketplaces~~ any marketplace that trades the particular security. Rule 6.4 states that all trades must be executed on a marketplace unless otherwise exempted from this requirement. This Policy clarifies the procedure to be followed when a Participant wishes to make such a transaction. Participants are reminded of the exemption in clause (d) of Rule 6.4 that permits a trade on an ~~another exchange or organized regulated market, provided that the exchange or market publicly disseminates details of trades in that market~~ organized regulated market. Participants are also reminded of the exemption in clause (e) of Rule 6.4 that permits them to trade as principal with non-Canadian accounts off of a marketplace provided that any unwinding trade with a Canadian account is made in accordance with Rule 6.4. ~~Participants~~ A Participant may make ~~agreements~~ an agreement to trade in a listed security or a quoted ~~securities~~ security with a Canadian ~~accounts~~ account as principal or as agent outside of the trading hours of marketplaces, however, such agreements must be made conditional on execution of the trade on a marketplace~~, stock exchange or organized market~~ or on an organized regulated market. There is no trade until such time as there is an execution on a marketplace~~, stock exchange or organized market~~ or an organized regulated market or the trade is otherwise completed in accordance with one of the exemptions set out in Rule 6.4. The trade on a marketplace is to be done at or immediately following the opening of the marketplace on which the order is entered. ~~Participants~~ A Participant may cross the trade at the agreed-upon price provided that the normal Requirements on order displacement are followed or the trade is completed as a designated block trade in accordance with Part 2 of Policy 2.1. If the Participant determines that the condition of recording the agreement to trade on a marketplace or organized regulated market cannot be met, the agreement to trade shall be cancelled. Use of an error account to preserve the transaction is prohibited.
POLICY 6.4 – TRADES TO BE ON A MARKETPLACE **Part 2 – Application to Foreign Affiliates and Others** The Market Regulator considers that any use by a Participant of another person that is not subject to Rule 6.4 in order to make a trade off of a marketplace (other than as permitted by one of the exemptions) to be a violation of the requirement to conduct business openly and fairly and in accordance with just and equitable principles of trade. Although certain affiliated entities of a Participant, including their foreign affiliates, are not directly subject to Requirements, Rule 6.4 means that a Participant may not	**POLICY 6.4 – TRADES TO BE ON A MARKETPLACE** **Part 2 – Application to Foreign Affiliates and Others** The Market Regulator considers that any use by a Participant of another person that is not subject to Rule 6.4 in order to make a trade off of a marketplace (other than as permitted by one of the exemptions) to be a violation of the requirement to conduct business openly and fairly and in accordance with just and equitable principles of trade. Although certain affiliated entities of ~~Participants~~ a Participant, including their foreign affiliates, are not directly subject to Requirements, Rule 6.4 means that a Participant

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transfer an order to a foreign affiliate, or book a trade through a foreign affiliate, and execute the order in a manner that does not comply with Rule 6.4. In other words, an order directed to a foreign affiliate by the Participant or any other person subject to Rule 6.4 shall be executed on a marketplace unless one of the exemptions set out in Rule 6.4 applies. Foreign branch offices of a Participant are not separate from the Participant and as such are subject to Requirements.	may not transfer an order to a foreign affiliate, or book a trade through a foreign affiliate, and execute the order in a manner that does not comply with Rule 6.4. In other words, an order directed to a foreign affiliate by the Participant or any other person subject to Rule 6.4 shall be executed on a marketplace unless one of the exemptions set out in Rule 6.4 applies. Foreign branch offices of ~~Participants~~ a Participant are not separate from the Participant and as such are subject to Requirements.
POLICY 6.4 – TRADES TO BE ON A MARKETPLACE **Part 3 – Non-Canadian Accounts** Clause (e) of Rule 6.4 permits a Participant to trade off of a marketplace either as principal or as agent with a non-Canadian account. A "non-Canadian account" is defined as an account of a client of the Participant or a client of an affiliated entity of the Participant held by a Participant or an affiliated entity of a Participant and the client is considered to be a non-resident for the purposes of the *Income Tax Act* (Canada). There may be certain situations arising where a Participant is uncertain whether a particular account is a "non-Canadian account" for the purpose of this exemption. In these situations the account should be treated as a “Canadian account”. The fact that an individual may be located temporarily outside of Canada, that a foreign location is used to place the order or as the address for settlement or confirmation of the trade does not alter the account's status as a Canadian account. Trades made by or on behalf of bona fide foreign subsidiaries of Canadian institutions are considered to be non-Canadian accounts, if the order is placed by the foreign subsidiary. For the purpose of this Policy, the relevant client of the Participant is the person to whom the order is confirmed.	**POLICY 6.4 – TRADES TO BE ON A MARKETPLACE** **Part 3 – Non-Canadian Accounts** Clause (e) of Rule 6.4 permits a Participant to trade off of a marketplace either as principal or as agent with a non-Canadian ~~accounts~~ account. A "non-Canadian account" ~~is considered to be an account for a client who is not resident in Canada~~ defined as an account of a client of the Participant or a client of an affiliated entity of the Participant held by a Participant or an affiliated entity of a Participant and the client is considered to be a non-resident for the purposes of the *Income Tax Act* (Canada). There may be certain situations arising where a Participant is uncertain whether a particular account is a "non-Canadian account" for the purpose of this exemption. ~~A trade by or on behalf of an individual normally resident in Canada, or an organization located in Canada, is considered to be a trade for a Canadian account.~~ In these situations the account should be treated as a “Canadian account”. The fact that an individual may be located temporarily outside of Canada, that a foreign location is used to place the order or as the address for settlement or confirmation of the trade does not alter the account's status as a Canadian account. Trades made by or on behalf of bona fide foreign subsidiaries of Canadian institutions are considered to be non-Canadian accounts, if the order is placed by the foreign subsidiary. For the purpose of this Policy, the relevant client of the Participant is the person to whom the order is confirmed.
POLICY 6.4 – TRADES TO BE ON A MARKETPLACE **Part 4 – Reporting Foreign Trades** Clause (e) of Rule 6.4 requires a Participant to report to a marketplace any trade in a listed security or a quoted security that is made as principal with a non-Canadian account or as agent if both the purchaser and seller are non-Canadian accounts, unless the trade is reported to an organized regulated market. If such an “outside Canada” trade has not been reported to an organized regulated market, a Participant shall report such trade to a marketplace no later than the close of business on the next trading day. The report shall identify the security, volume, price (in the currency of the trade and in Canadian dollars) and time of the trade. In addition, clauses (d) and (e) of Rule 6.4 require a Participant to report to a Market Regulator any trade in a listed security or quoted security with a value of $25,000,000	**POLICY 6.4 – TRADES TO BE ON A MARKETPLACE** **Part 4 – Reporting Foreign Trades** Clause (e) of Rule 6.4 requires a Participant to report to a marketplace any trade in a listed security or a quoted security that is ~~made outside of Canada~~ as principal with a non-Canadian account or as agent if both the purchaser and seller are non-Canadian accounts, unless the trade is reported to ~~another stock exchange or an organized regulated market that disseminates details of trades in that market~~ an organized regulated market. ~~Participants~~ If such an “outside Canada” trade has not been reported to an organized regulated market, a Participant shall report such trade to a marketplace no later than the close of business on the next trading day. The report shall identify the ~~stock~~ security, volume, price (in the currency of the trade and in Canadian dollars) and time of the trade. In addition, clauses (d) and (e) of Rule 6.4 require a

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or more if the trade has been executed on an organized regulated market or has been executed as principal with a non-Canadian account or as agent if both the purchaser and seller are non-Canadian accounts. The report to the Market Regulator shall be made not later than the commencement of trading in that listed security or quoted security on a marketplace on the next trading day. The report shall identify the security, volume, price (in the currency of the trade and in Canadian dollars) and time of the trade. If the trade has been executed on an organized regulated market, the report to the Market Regulator shall identify the organized regulated market. If the trade has been reported to or will be reported to an organized regulated market, the report to the Market Regulator shall identify the organized regulated market and the time of the report to that market or the deadline for filing of the report with the organized regulated market if the report has not yet been filed.	Participant to report to a Market Regulator any trade in a listed security or quoted security with a value of $25,000,000 or more if the trade has been executed on an organized regulated market or has been executed as principal with a non-Canadian account or as agent if both the purchaser and seller are non-Canadian accounts. The report to the Market Regulator shall be made not later than the commencement of trading in that listed security or quoted security on a marketplace on the next trading day. The report shall identify the security, volume, price (in the currency of the trade and in Canadian dollars) and time of the trade. If the trade has been executed on an organized regulated market, the report to the Market Regulator shall identify the organized regulated market. If the trade has been reported to or will be reported to an organized regulated market, the report to the Market Regulator shall identify the organized regulated market and the time of the report to that market or the deadline for filing of the report with the organized regulated market if the report has not yet been filed.
POLICY 6.4 – TRADES TO BE ON A MARKETPLACE **Part 5 – Application of UMIR to Orders Not Entered on a Marketplace** Under Rule 6.4, a Participant, when acting as principal or agent, may not trade nor participate in a trade in a security by means other than the entry of an order on a marketplace except in accordance with an exemption specifically enumerated within Rule 6.4. For the purposes of UMIR, a "marketplace" is defined as an Exchange, QTRS or an ATS and a "Participant" is defined essentially as a dealer registered in accordance with securities legislation of any jurisdiction and who is a member of an Exchange, a user of a QTRS or a subscriber to an ATS. If a person is a Participant, certain provisions of UMIR will apply to every order handled by that Participant even if the order is entered or executed on a marketplace or market that has not adopted UMIR as its market integrity rules or if the order is executed over-the-counter. In particular, the following provisions of UMIR will apply to an order handled by a Participant notwithstanding that the order is not entered on a marketplace that has adopted UMIR: • Rule 2.1 requires a Participant to transact business openly and fairly and in accordance with just and equitable principles of trade when trading on a marketplace or trading or otherwise dealing in securities which are eligible to be traded on a marketplace; • Rule 4.1 prohibits a Participant from frontrunning certain client orders; • Part 5 dealing with the "best execution obligation" of a Participant in respect of a client order; • Rule 8.1 governing client-principal trading; and • Rule 9.1 governing regulatory halts, delays and suspensions of trading.	**POLICY 6.4 – TRADES TO BE ON A MARKETPLACE** **Part 5 – Application of UMIR to Orders Not Entered on a Marketplace** Under Rule 6.4, a Participant, when acting as principal or agent, may not trade nor participate in a trade in a security by means other than the entry of an order on a marketplace except in accordance with an exemption specifically enumerated within Rule 6.4. For the purposes of UMIR, a "marketplace" is defined as an Exchange, QTRS or an ATS and a "Participant" is defined essentially as a dealer registered in accordance with securities legislation of any jurisdiction and who is a member of an Exchange, a user of a QTRS or a subscriber to an ATS. If a person is a Participant, certain provisions of UMIR will apply to every order handled by that Participant even if the order is entered or executed on a marketplace that has not adopted UMIR as its market integrity rules or if the order is executed over-the-counter. In particular, the following provisions of UMIR will apply to an order handled by a Participant notwithstanding that the order is not entered on a marketplace that has adopted UMIR: • Rule 2.1 requires a Participant to transact business openly and fairly and in accordance with just and equitable principles of trade when trading on a marketplace or trading or otherwise dealing in securities which are eligible to be traded on a marketplace; • Rule 4.1 prohibits a Participant from frontrunning certain client orders; • Part 5 dealing with the "best execution obligation" of a Participant in respect of a client order; • Rule 8.1 governing client-principal trading; and • Rule 9.1 governing regulatory halts, delays and suspensions of trading.

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In accordance with Rule 11.9, UMIR will not apply to an order that is entered or executed on a marketplace in accordance with the Marketplace Rules of that marketplace as adopted in accordance with Part 7 of the Trading Rules or if the order is entered and executed on a marketplace or otherwise in accordance with the rules of an applicable regulation services provider or in accordance with the terms of an exemption from the application of the Trading Rules.	In accordance with Rule 11.9, UMIR will not apply to an order that is entered or executed on a marketplace in accordance with the Marketplace Rules of that marketplace as adopted in accordance with Part 7 of the Trading Rules or if the order is entered and executed on a marketplace or otherwise in accordance with the rules of an applicable regulation services provider or in accordance with the terms of an exemption from the application of the Trading Rules.
POLICY 7.5 - RECORDED PRICES If the price of: • an internal cross or intentional cross to be recorded on a marketplace; or • a trade that has been executed outside of Canada that is to be reported to a marketplace in accordance with clause (e) of Rule 6.4, has been agreed to in a foreign currency and the trade is to be recorded or reported in Canadian currency, the price in foreign currency shall be converted to Canadian dollars using the exchange rate the Participant would have applied in respect of a trade of similar size on an organized regulated market at the time of the internal cross, intentional cross or execution of the trade outside of Canada. If the trade price converted into Canadian currency falls between two trading increments for the marketplace on which the cross is to be entered or the trade reported, trades shall be recorded or reported at each of the trading increments immediately above and below the converted price for the number of units of the security that yields the appropriate average price per unit of the security. A Participant shall maintain with the record of the order the exchange rate used for the purpose of entering the internal cross or intentional cross or reporting the foreign trade and such information shall be provided to the Market Regulator upon request in such form and manner as may be reasonably required by the Market Regulator in accordance with Rule 10.11(3).	**POLICY 7.5 - RECORDED PRICES** If the price of: • an internal cross or intentional cross to be recorded on a marketplace; or • a trade that has been executed outside of Canada that is to be reported to a marketplace in accordance with clause (e) of Rule 6.4, has been agreed to in a foreign currency and the trade is to be recorded or reported in Canadian currency, the price in foreign currency shall be converted to Canadian dollars using the exchange rate the Participant would have applied in respect of a trade of similar size on an organized regulated market at the time of the internal cross, intentional cross or execution of the trade outside of Canada. If the trade price converted into Canadian currency falls between two trading increments for the marketplace on which the cross is to be entered or the trade reported, trades shall be recorded or reported at each of the trading increments immediately above and below the converted price for the number of units of the security that yields the appropriate average price per unit of the security. A Participant shall maintain with the record of the order the exchange rate used for the purpose of entering the internal cross or intentional cross or reporting the foreign trade and such information shall be provided to the Market Regulator upon request in such form and manner as may be reasonably required by the Market Regulator in accordance with Rule 10.11(3).
POLICY 8.1 – CLIENT-PRINCIPAL TRADING **Part 1 - General Requirements** Rule 8.1 governs client-principal trades. It provides that, for trades of 50 standard trading units of less, a Participant trading with one of its clients as principal must give the client a *better* price than the client could obtain on a marketplace. A Participant must take reasonable steps to ensure that the price is the best available price for the client taking into account the condition of the market. If the security is traded on more than one marketplace, the client must receive, when the Participant is buying, a higher price than the best bid price, and, if the Participant is selling, the client must pay a lower price than the best ask price. For client-principal trades greater than 50 standard trading units, the Participant may do the trade provided the client could not obtain a better price on a marketplace in	**POLICY 8.1 – CLIENT-PRINCIPAL TRADING** **Part 1 - General Requirements** Rule 8.1 governs client-principal trades. It provides that, for trades of 50 standard trading units of less, a Participant trading with one of its clients as principal must give the client a *better* price than the client could obtain on a marketplace. A Participant must take reasonable steps to ensure that the price is the best available price for the client taking into account the condition of the market. ~~If the security is inter-listed, the rule extends to all Canadian markets on which the security is listed. This means that if the Participant is buying, the client must receive a higher price than is bid on any Canadian marketplace, and, if the Participant is selling, the client must pay a lower price than the lowest offering.~~ If the security is traded on more than one marketplace, the client must receive, when the Participant is buying, a higher price than the best bid price, and, if the Participant is selling,

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accordance with the best execution obligations under Rules 5.1 and 5.2. The Participant must take reasonable steps to ensure that the best price is obtained and the price to the client is justified by the condition of the market.	the client must pay a lower price than the best ask price. For client-principal trades greater than 50 standard trading units, the Participant may do the trade provided the client could not obtain a better price on a marketplace in accordance with the best execution obligations under Rules 5.1 and 5.2. The Participant must take reasonable steps to ensure that the best price is obtained and the price to the client is justified by the condition of the market.

13.1.2 RS Sets Hearing Date in the Matter of HSBC Securities (Canada) Inc. to Consider a Settlement Agreement

August 16, 2004

NOTICE TO PUBLIC

Subject: Market Regulation Services Inc. sets hearing date *In the Matter of HSBC Securities (Canada) Inc.* to consider a Settlement Agreement.

Market Regulation Services Inc. ("RS") will hold a Hearing before a Panel of the Hearing Committee (the "Hearing Panel") of RS on August 23, 2004, commencing at 2:00 p.m., or as soon thereafter as the Hearing can be held, at the offices of RS, 145 King Street West, 9th floor, Toronto, Ontario. The Hearing is open to the public.

The purpose of the hearing is to consider a Settlement Agreement entered into between RS and HSBC Securities (Canada) Inc. ("HSBC Securities").

It is alleged that HSBC Securities contravened Rule 7.1 and Policy 7.1 of the Universal Market Integrity Rules.

The Hearing Panel may accept or reject an Offer of Settlement pursuant to Part 3.4 of Policy 10.8 of the Universal Market Integrity Rules governing the practice and procedure of hearings. In the event the Settlement Agreement is accepted, the matter becomes final and there can be no appeal of the matter. In the event the Settlement Agreement is rejected, RS may proceed with a hearing of the matter before a differently constituted Hearing Panel.

The terms of the settlement, if accepted and approved by the Hearing Panel, and the disposition of this matter by the Hearing Panel will be published by RS as a Disciplinary Notice.

Reference:

Jane P. Ratchford
Chief Counsel
Investigations and Enforcement
Market Regulation Services Inc.

Telephone: 416-646-7229

13.1.3 Notice of Commission Approval – Housekeeping Amendment to MFDA Rule 3.4.4 Regarding Early Warning Duration

THE MUTUAL FUND DEALERS ASSOCIATION (MFDA)

AMENDMENT TO MFDA RULE 3.4.4 REGARDING EARLY WARNING DURATION

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission approved the amendment to MFDA Rule 3.4.4 regarding Early Warning Duration. In addition, the Nova Scotia Securities Commission and Saskatchewan Financial Services Commission approved, and the British Columbia Securities Commission did not object to the amendment. The amendment allows MFDA staff to exercise discretion in removing a Member from early warning without waiting until the next month's filing of the monthly financial report, provided there is appropriate evidence or assurance to demonstrate that the issue has been resolved. The amendment is housekeeping in nature. The description and a copy of the amendment is contained in Appendix "A".

APPENDIX "A"

MFDA NOTICE – HOUSEKEEPING AMENDMENT TO MFDA RULE 3.4.4 (EARLY WARNING – DURATION)

Current Rule

Rule 3.4.4 currently provides that a Member shall remain in early warning until the last filed monthly financial reports of the Member demonstrate in the opinion of the MFDA that the Member is no longer required to be designated as being in early warning and the Member has otherwise complied with the requirements of MFDA Rule 3.4.

Reasons for Amendment

The proposed amendment to MFDA Rule 3.4.4 was made to provide MFDA staff with flexibility as to when a Member can be removed from early warning. In some circumstances the cause of a capital deficiency which results in a Member being designated in early warning may be quickly resolved and the resolution may be evidenced through other means. The proposed amendment to Rule 3.4.4 will allow MFDA staff to exercise discretion in removing a Member from early warning upon resolution of the issue, rather than waiting a month to receive the firm's monthly financial report.

Description of Amendment

The amendment will add the phrase "or such other evidence or assurances as may be appropriate in the circumstances" after the reference to the latest filed monthly financial reports of the Member. The amendment is housekeeping in nature in that it reflects changes in routine procedures and administrative practices of the MFDA and does not impose any significant burden or any barrier to competition that is not appropriate.

Comparison with Similar Provisions

The amendments to Rule 3.4.4 are consistent with IDA to By-law 30.8 respecting early warning designation.

Effective Date

The amended Rule will be effective on a date to be subsequently determined by the MFDA.

MUTUAL FUND DEALERS ASSOCIATION OF CANADA
MFDA Rule 3.4.4 (Early Warning – Duration)

On June 18, 2004, the Board of Directors of the Mutual Fund Dealers Association of Canada made and enacted the following amendment to Rule 3.4.4:

3.4.4 Duration. A Member shall remain designated as being in early warning and subject to the provisions of this Rule 3.4 as are applicable, until the latest filed monthly financial reports of the Member, or such other evidence or assurances as may be appropriate in the circumstances demonstrate, in the opinion of the Corporation that the Member no longer is required to be designated as being in early warning and the Member has otherwise complied with this Rule 3.4.

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Chapter 25

Other Information

25.1 Approvals

25.1.1 Goodman & Company, Investment Counsel Ltd. - cl. 213(3)(b) of the LTCA

Headnote

Clause 213(3)(b) of the Loan and Trust Corporations Act - application for approval to act as trustee.

Statutes Cited

Loan and Trust Corporations Act, R.S.O. 1990, c. L.25, as am., clause 213(3)(b).

Rules Cited

Ontario Securities Commission Approval 81-901, Approval of Trustees of Mutual Fund Trusts (1997), 20 OSCB 200.

August 10, 2004

McCarthy Tetrault

Attention: John Kruk

Dear Sirs/Mesdames:

Re: Goodman & Company, Investment Counsel Ltd. (the "Applicant") for approval to act as the trustee of the Infinity Income Trust (the "Trust")

Further to the application dated July 20, 2004 (the "Application") filed on behalf of the Applicant and based on the facts set out in the Application, pursuant to the authority conferred on the Ontario Securities Commission (the "Commission") in clause 213(3)(b) of the *Loan and Trust Corporations Act* (Ontario), the Commission approves the proposal that the Applicant act as trustee of the Trust.

"Susan Wolburgh Jenah" "Harold P. Hands"

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