The Ontario Securities Commission

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July 15, 2005

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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)

The Ontario Securities Commission
Cadillac Fairview Tower
Suite 1903, Box 55
20 Queen Street West
Toronto, Ontario
M5H 3S8

416-593-8314 or Toll Free 1-877-785-1555

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Carswell
One Corporate Plaza
2075 Kennedy Road
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M1T 3V4

416-609-3800 or 1-800-387-5164

Contact Centre - Inquiries, Complaints:	Fax: 416-593-8122
Capital Markets Branch:	Fax: 416-593-3651
- Registration:	Fax: 416-593-8283
Corporate Finance Branch:	
- Team 1:	Fax: 416-593-8244
- Team 2:	Fax: 416-593-3683
- Team 3:	Fax: 416-593-8252
- Insider Reporting	Fax: 416-593-3666
- Take-Over Bids:	Fax: 416-593-8177
Enforcement Branch:	Fax: 416-593-8321
Executive Offices:	Fax: 416-593-8241
General Counsel's Office:	Fax: 416-593-3681
Office of the Secretary:	Fax: 416-593-2318

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One Corporate Plaza
2075 Kennedy Road
Toronto, Ontario
M1T 3V4

Customer Relations
Toronto 1-416-609-3800
Elsewhere in Canada/U.S. 1-800-387-5164
World wide Web: http://www.carswell.com
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Chapter 1

Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

JULY 15, 2005

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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Suresh Thakrar, FIBC	—	ST
Wendell S. Wigle, Q.C.	—	WSW

SCHEDULED OSC HEARINGS

Date	Matter
TBA	**Yama Abdullah Yaqeen** s. 8(2) J. Superina in attendance for Staff Panel: TBA
TBA	**Cornwall *et al*** s. 127 K. Manarin in attendance for Staff Panel: TBA
TBA	**Philip Services Corp. *et al*** s. 127 K. Manarin in attendance for Staff Panel: TBA
July 19, 2005 11:00 a.m.	**Robert Patrick Zuk, Ivan Djordjevic, Matthew Noah Coleman, Dane Alan Walton, Derek Reid and Daniel David Danzig** s. 127 J. Waechter in attendance for Staff Panel: PMM
July 26, 2005 2:30 p.m.	**Jose L. Castenada** s.127 T. Hodgson in attendance for Staff Panel: TBA

August 29, 2005 to September 16, 2005 10:00 a.m. September 12, 2005 2:30 p.m.	**In the matter of Allan Eizenga,** Richard Jules Fangeat*, Michael Hersey*, Luke John McGee* and Robert Louis Rizzutto* **and In the matter of Michael Tibollo** s.127 T. Pratt in attendance for Staff Panel: WSW/PKB/ST * Fangeat settled June 21, 2004 * Hersey settled May 26, 2004 * McGee settled November 11, 2004 * Rizzutto settled August 17, 2004
September 16, 2005 10:00 a.m.	**Portus Alternative Asset Management Inc., and Portus Asset Management, Inc.** s. 127 M. MacKewn in attendance for Staff Panel: TBA
September 28 and 29, 2005 10:00 a.m.	**Francis Jason Biller** s.127 J. Cotte in attendance for Staff Panel: TBA
October 4, 2005 2:30 p.m.	**Momentas Corporation, Howard Rash, Alexander Funt, Suzanne Morrison and Malcolm Rogers** s. 127 and 127.1 P. Foy in attendance for Staff Panel: TBA
October 11, 2005 9:00 a.m.	**Hollinger Inc., Conrad M. Black, F. David Radler, John A. Boultbee and Peter Y. Atkinson** s.127 J. Superina in attendance for Staff Panel: TBA
November 2005	**Andrew Currah, Colin Halanen, Joseph Damm, Nicholas Weir, Penny Currah, Warren Hawkins** s.127 J. Waechter in attendance for Staff Panel: TBA

ADJOURNED SINE DIE

Global Privacy Management Trust and Robert Cranston

Andrew Keith Lech

S. B. McLaughlin

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

1.1.2 Revised OSC Staff Notice 11-737 - Securities Advisory Committee - Vacancies

REVISED OSC STAFF NOTICE 11-737
SECURITIES ADVISORY COMMITTEE - VACANCIES
(PREVIOUS VERSION PUBLISHED SEPTEMBER 17, 2004)

The Commission formally established the Securities Advisory Committee to the Commission ("SAC") many years ago. SAC meets on a regular basis, at least monthly, and provides advice to the Commission and staff on a variety of legal matters, including amendments to the Act and Regulations, formulation of rules, Commission policies and staff notices, and other operational or transactional matters currently before the Commission and staff. SAC is also expected to provide general advisory services to the Commission and staff on an informal basis relating to emerging trends in the marketplace. SAC is asked to report to the Commission at least annually on its work over the previous year and identify issues that SAC considers should be addressed by the Commission.

The Commission is now looking for prospective candidates to serve on SAC for a three-year term beginning in October 2005. Prospective candidates are encouraged to review OSC Policy 11-601 for further information about SAC.

Those who make a commitment to serve on SAC must be in a position to devote the time necessary to attend meetings, be an active participant, and undertake the work involved, which sometimes must be dealt with on an urgent basis. SAC members must have an excellent knowledge of the legislation and policies for which the Commission is responsible, and have significant practice experience in the securities area. Expertise in an area of special interest to the Commission at the time an appointment is made will also be a factor in selection. SAC members are expected to have excellent technical abilities and a strong interest in the development of securities regulatory policy. SAC members will be selected in part to ensure that SAC is reasonably representative of the full spectrum of securities law practice.

Individual practitioners, with the support of their firms, are invited to apply in writing for membership on SAC to the Office of the General Counsel of the Commission, indicating areas of practice and relevant experience.

SAC's membership currently consists of thirteen Ontario solicitors practising in the area of securities law plus one U.S. securities lawyer. The SAC membership is changed in rotation. In October, half of the current SAC members will be replaced with the successful new applicants. The present members of SAC are:

Michael Bennett
Blaney McMurtry LLP

Robert D. Chapman
McCarthy Tétrault LLP

Helen A. Daley
Wardle Daley LLP

Andrew Foley
Paul, Weiss, Rifkind, Wharton & Garrison LLP

Carol Hansell
Davies Ward Phillips & Vineberg LLP

Leslie Ann Johnson
Fraser Milner Casgrain LLP

Douglas Marshall
Osler, Hoskin & Harcourt LLP

Rosalind Morrow
Borden Ladner Gervais LLP

Sheila A. Murray
Blake, Cassels & Graydon LLP

Jeffrey P. Roy
Cassels Brock & Blackwell LLP

Cathy B. Singer
Ogilvy Renault

Jeffrey Singer
Stikeman Elliott LLP

Richard Steinberg
Fasken Martineau

Robert Vaux
Goodmans LLP

The Commission is very grateful to SAC members for their able assistance and valuable input.

Applications for SAC membership will be considered if received on or before August 26, 2005. Applications should be submitted in writing to:

Rossana Di Lieto
Acting General Counsel
Tel: (416) 593-8106
Fax: (416) 593-3681
rdilieto@osc.gov.on.ca

Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, Ontario
M5H 3S8

July 15, 2005

1.3 News Releases

1.3.1 OSC Proceedings against Andrew Rankin to Continue July 8, 2005

FOR IMMEDIATE RELEASE
July 6, 2005

OSC PROCEEDINGS AGAINST ANDREW RANKIN TO CONTINUE JULY 8, 2005

TORONTO – The Ontario Court of Justice has confirmed that oral submissions are scheduled to be heard on Friday, July 8, 2005 at Old City Hall, 60 Queen Street West, Courtroom #125 at 9:30 a.m.

The charges against Mr. Rankin are available on the OSC's web site (**www.osc.gov.on.ca**) as an attachment to a news release dated February 4, 2004.

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 Approves Settlement Reached Between Staff and Ron Carter Hew

FOR IMMEDIATE RELEASE
July 6, 2005

OSC APPROVES SETTLEMENT REACHED BETWEEN STAFF AND RON CARTER HEW

Toronto – The Ontario Securities Commission (the Commission) approved a settlement agreement today between Staff of the Commission and Ron Carter Hew as being in the public interest.

The proceeding concerned allegations that Hew breached section 25 of the *Securities Act* by trading in the accounts of at least 17 investors (including 3 members of an investment club) between 1992 and 2004 in exchange for a percentage of profits achieved, without being registered with the Commission to do so. Hew admitted to engaging in this activity by obtaining internet account passwords and trading authorizations for the investors' accounts.

Hew further admitted that: through his trading, he depleted virtually all funds in the investors' accounts; he did not conduct suitability reviews; he employed the same high risk trading strategy, primarily in US hi-tech stocks often utilizing margin; for all investors; and, he did not adequately disclose to new investors the losses he had incurred in the accounts of past investors.

Hew also admitted to having been warned by the Commission in July of 2001 that the above activity and the establishment of an investment club require registration. However, Hew continued to trade in the accounts of investors after 2001 and established the investment club, for which he directed all trading, in April of 2002.

The sanctions proposed in the settlement agreement and imposed by the Commission were that Hew cease trading in securities for a period of 15 years, with the exception of any RRSP accounts that he establishes in the future and in which he has sole beneficial interest, and that Hew be reprimanded.

In its oral reasons approving the proposed sanctions, the Commission stated that this case is a classic example of why registration is required in order to protect the public and of the need to ensure that participation in the capital markets as an adviser is restricted to those with the education, training and ability to fulfill their duties to investors. The Commission found Hew's conduct in ignoring the Commission's warning in July of 2001 and his continued belief that he could have recouped investors' losses if further funds had been made available to him (in one case from a locked in retirement account) to be of concern. The Commission stated that Hew's behavior was "totally unacceptable."

The Commission noted that while, as a matter of general deterrence, a monetary sanction might have been appropriate in this case, given Hew's bankruptcy and present unemployment, the proposed sanctions were in the

public interest and all that could reasonably be done to protect investors had been done.

Copies of the Notice of Hearing dated June 23, 2005 and the related Statement of Allegations, the Settlement Agreement and Order, are available on the Commission's website (**www.osc.gov.on.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)

1.3.3 OSC Extends Temporary Orders against Norshield and Olympus

FOR IMMEDIATE RELEASE
July 6, 2005

OSC EXTENDS TEMPORARY ORDERS AGAINST NORSHIELD AND OLYMPUS

TORONTO – The Ontario Securities Commission (the Commission) issued an order today adjourning the hearing to consider whether the temporary order issued on May 20, 2005 suspending the registration of Norshield Asset Management (Canada) Ltd. (Norshield) should be extended, until October 6, 2005. The Commission continued the temporary order pending the hearing on October 6, 2005.

Given the Court's appointment of RSM Richter Inc. as receiver over the assets, undertakings and properties of Norshield, Olympus United Group Inc. (Olympus) and other related entities, the Commission also made an order today revoking the term of its June 2, 2005 order requiring the retainer of RSM Richter Inc. as monitor of Norshield.

In addition, the Commission issued an order today adjourning the hearing to consider whether the temporary orders issued on May 13, 2005 and May 20, 2005 suspending Olympus' registration and precluding redemptions should be extended, until October 6, 2005. The Commission continued the temporary orders pending the hearing on October 6, 2005.

As a result of the Orders issued today, the protections put in place by the temporary orders will remain in effect.

Copies of the Orders are available on the OSC website (**www.osc.gov.on.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)

1.3.4 Credit for Cooperation by a Reporting Issuer Results in a Caution to CP Ships Rather than the Commencement of Formal Proceedings

FOR IMMEDIATE RELEASE
July 7, 2005

CREDIT FOR COOPERATION BY A REPORTING ISSUER RESULTS IN A CAUTION TO CP SHIPS RATHER THAN THE COMMENCEMENT OF FORMAL PROCEEDINGS

Toronto – "Issuers need to be cautious that, once an obligation to restate financial statements is identified, that determination may, in itself, be a material change requiring disclosure, even though the quantum of the restatement may not yet have been established," said Michael Watson, Director of Enforcement at the Ontario Securities Commission (OSC).

In addition he also noted that "Issuers and insiders should be aware that if the forthcoming financial results of an issuer are expected to vary materially from publicly disclosed analysts' expectations, it is Staff's opinion that this is an undisclosed material fact."

Today, a warning letter was issued to CP Ships Ltd.

The warning letter is the result of an investigation into the following matters:

1. the disclosure that the financial statements for the years ending December 31, 2002 and 2003 and the financial results for the first quarter, 2004 would have to be restated; and

2. trading by insiders in the shares of CP Ships during the period May 19 to June 4, 2004.

In Staff's opinion, the determination by CP Ships management in June 2004 that the financial statements needed to be restated constituted a material change which should have been disclosed forthwith. The fact that the quantum of the restatement was not known until early August 2004 did not mitigate the responsibility of the company to disclose forthwith the fact that a restatement was required.

Trades in the shares of CP Ships were executed by four insiders between May 19 and June 4, 2004 at a time when the insiders knew that the financial results of CP Ships for the second quarter ending June 30, 2004 were expected, based upon internal forecasts, to be materially below publicly disclosed estimates of analysts. It is Staff's opinion that the fact that the financial results of CP Ships would be materially below analysts' estimates was an undisclosed material fact.

It is the opinion of Staff that the conduct of CP Ships and the above mentioned insiders may not have been in the public interest and that such conduct could have formed the basis of proceedings against them.

Staff have taken into consideration the fact that the traders either articulated their intention to sell shares well in advance of their knowledge that the financial results would be materially below the estimates of analysts or otherwise had an unrelated reason to sell shares. Staff also understands that either the VP General Counsel and Secretary or the Chairman granted the insiders permission to trade.

The cooperation demonstrated by CP Ships included:

1. the establishment of a Special Committee to investigate the issues;

2. an initial meeting with Staff to discuss concerns of the Special Committee about trading by insiders;

3. public disclosure of the existence of the investigation being conducted by Staff;

4. public disclosure of the fact that trading by insiders should not have taken place;

5. the provision of all relevant documents;

6. unlimited access to and the cooperation of Voorheis & Co. LLP and Ernst & Young LLP, the Special Committee's advisors;

7. restitution to CP Ships by the four insiders for the loss avoided on their trades;

8. the review and revision of CP Ships' insider trading and corporate disclosure policies done at the company's initiative.

In light of the high level of cooperation received from CP Ships and its advisors, having regard to the Staff Notice on "Credit for Cooperation" and having regard to the circumstances of which we are aware, it is possible to adequately protect the public interest by issuing a caution rather than commencing formal proceedings.

CP Ships and Staff have agreed that the restitution paid to the company by the four insiders in the amount of CAD $1,434,112.25 will be re-directed to the "MFDA Investor Protection Corporation".

The Mutual Fund Dealers Association of Canada established the MFDA Investor Protection Corporation June 29, 2005 as a protection plan for customers of mutual fund dealers that are members of the MFDA.

For Media Inquiries: Michael Watson
Director, Enforcement
416-593-8156

Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Assante Asset Management Ltd. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – relief from requirement to provide a statement of policies and obtain specific and informed written consent from discretionary management clients once in each twelve-month period with respect to certain funds – subject to conditions.

Applicable Ontario Legislation

Ontario Regulation 1015, R.R.O. 1990, s. 227(2)(b), 233.

July 4, 2005

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF ONTARIO, ALBERTA, NOVA SCOTIA AND
NEWFOUNDLAND AND LABRADOR (the Jurisdictions)

AND

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

AND

IN THE MATTER OF
ASSANTE ASSET MANAGEMENT LTD. (the Filer)

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the **Decision Maker**) in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the **Legislation**) for an exemption from the requirement that a registrant acting as an adviser and exercising discretionary authority with respect to the investment portfolio or account of a client (in each case, a **Client**) not purchase or sell securities of a related issuer, or in the course of an initial distribution or a distribution (depending on the Jurisdiction) securities of a connected issuer, of the registrant, unless it provides certain disclosure to the Client and obtains the requisite specific and informed written consent of the Client once in each 12 month period (the **Requested Relief**).

Under the Mutual Reliance Review System for Exemptive Relief Applications:

(a) the Ontario Securities Commission is the principal regulator for this application; and

(b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101 Definitions have the same meaning in this decision unless they are defined in this decision.

Representations

This decision is based on the following facts represented by each Filer:

1. The Filer is a corporation formed under the laws of the Province of Manitoba and is registered as an investment counsel and portfolio manager, or their equivalent, in all provinces and territories of Canada. The Filer is an indirectly wholly-owned subsidiary of CI Fund Management Inc.

2. The Filer carries on an investment management business offering portfolio management services to a large retail client base.

3. The Filer manages all of its clients' assets on a discretionary basis and may trade in the securities of one or more mutual funds or pooled funds managed or to be managed by the Filer or an affiliate of the Filer (collectively, the **Funds**) for its Clients' accounts;

4. Clients of the Filer enter into a discretionary portfolio management account agreement with the Filer which then establishes a segregated account (a **Managed Account**) for each such client. Each Client specifically consents in writing to the Filer investing in one or more of the applicable Funds.

5. All Clients of the Filer receive an initial copy of the Statement of Policies of the Filer which includes a conflicts statement listing the related and connected issuers of the Filer. In the event of a significant change in its Statement of Policies, the Filer will provide to each of its Clients a copy of the revised version of, or amendment to, the Statement of Policies.

6. Securities of the applicable Funds may be offered on a continuous basis and will be acquired by residents of the Jurisdictions either under a prospectus filed by the Fund or on a private placement basis.

Decision

Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met.

The decision of the Decision Makers pursuant to the Legislation is that the Requested Relief is granted to the Filer provided that the Filer has provided certain disclosure and secured the specific and informed consent of the discretionary management Client in advance of the exercise of discretionary authority in respect of the applicable Funds.

"David L. Knight"
Commissioner
Ontario Securities Commission

"Wendell S. Wigle"
Commissioner
Ontario Securities Commission

2.1.2 Legent Clearing LLC - ss. 6.1(1) of MI 31-102 and s. 6.1 of Rule 13-502

Headnote

Applicant seeking registration status as an international dealer exempted from the electronic funds transfer requirement pursuant to subsection 6.1(1) of Multilateral Instrument 31-102 National Registration Database and activity fee contemplated under section 4.1 of Ontario Securities Commission Rule 13-502 Fees waived in respect of this discretionary relief, subject to certain conditions.

Rules Cited

Multilateral Instrument 31-102 National Registration Database (2003) 26 O.S.C.B. 926, s. 6.1
Ontario Securities Commission Rule 13-502 Fees (2003) 26 O.S.C.B. 867, ss. 4.1, 6.1

June 30, 2005

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

AND

**IN THE MATTER OF
LEGENT CLEARING LLC**

DECISION

(Subsection 6.1(1) of Multilateral Instrument 31-102 *National Registration Database* and section 6.1 of Rule 13-502 *Fees*)

UPON the Director having received the application of Legent Clearing LLC (the **Applicant**) for an order pursuant to subsection 6.1(1) of Multilateral Instrument 31-102 *National Registration Database* (**MI 31-102**) granting the Applicant relief from the electronic funds transfer requirement contemplated under MI 31-102 and for relief from the activity fee requirement contemplated under section 4.1 of Ontario Securities Commission Rule 13-502 *Fees* (**Rule 13-502**) in respect of this discretionary relief;

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

AND UPON the Applicant having represented to the Director as follows:

1. The Applicant is limited liability company incorporated under the laws of the State of Delaware in the United States. The Applicant is a member of the U.S. National Association of Securities Dealers, the Chicago Stock Exchange, the International Securities Exchnage and the Pacific Exchange. The Applicant is not a reporting issuer in any province or territory in Canada. The

Applicant is seeking registration in Ontario a dealer in the category of international dealer. The Applicant carries on business as a broker-dealer in Omaha, Nebraska.

2. MI 31-102 requires that all registrants in Canada enrol with CDS INC. (**CDS**) and use the national registration database (**NRD**) to complete certain registration filings. As part of the enrolment process, registrants are required to open an account with a member of the Canadian Payments Association from which fees may be paid with respect to NRD by electronic pre-authorized debit (**electronic funds transfer** or, the **EFT Requirement**).

3. The Applicant has encountered difficulties in setting up a Canadian based bank account for purposes of fulfilling the EFT Requirement.

4. The Applicant confirms that it is not registered in another category to which the EFT Requirement applies and that Ontario is the only jurisdiction in which it has applied for registration.

5. Staff of the Canadian Securities Administrators has indicated that, with respect to applications from international dealers and international advisers (or applicants in equivalent categories of registration) for relief from the EFT Requirement, it is prepared to recommend waiving the fee normally required to accompany applications for discretionary relief (the **Application Fee**).

6. For Ontario registrants, the requirement for payment of the Application Fee is set out in section 4.1 of Rule 13-502.

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

IT IS THE DECISION of the Director, pursuant to subsection 6.1(1) of MI 31-102 that the Applicant is granted relief from the EFT Requirement for so long as the Applicant:

A. makes acceptable alternative arrangements with CDS for the payment of NRD fees;

B. pays its participation fee under the Act to the Commission by cheque, draft, money order or other acceptable means at the time of filing its application for annual renewal, which shall be no later than the first day of December in each year;

C. pays any applicable activity fees, or other fees that the Act requires it to pay to the Commission, by cheque, draft, money order or other acceptable means at the appropriate time; and

D. is not registered in any jurisdiction in another category to which the EFT Requirement applies;

PROVIDED THAT the Applicant submits a similar application in any other Canadian jurisdiction where it becomes registered as an international dealer or international adviser or in an equivalent registration category;

AND IT IS THE FURTHER DECISION of the Director, pursuant to section 6.1 of Rule 13-502, that the Application Fee will be waived in respect of the application for this Decision.

“David M. Gilkes”

2.1.3 MD Private Investments Management Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – relief from requirement to provide the statement of policies and obtain specific and informed written consent from discretionary management clients once in each twelve-month period with respect to certain funds – subject to conditions.

Applicable Ontario Legislation

Ontario Regulation 1015, R.R.O. 1990, ss. 227(2)(b), 233.

June 27, 2005

**IN THE MATTER OF
THE SECURITIES LEGISLATION
OF ONTARIO, ALBERTA, NOVA SCOTIA AND
NEWFOUNDLAND AND LABRADOR (the Jurisdictions)**

AND

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

AND

**IN THE MATTER OF
MD PRIVATE INVESTMENT MANAGEMENT INC.
(the Filer)**

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the **Decision Maker**) in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the **Legislation**) for an exemption from the requirement that a registrant acting as an adviser and exercising discretionary authority with respect to the investment portfolio or account of a client (in each case, a **Client**) not purchase or sell securities of a related issuer, or in the course of an initial distribution or a distribution (depending on the Jurisdiction) securities of a connected issuer, of the registrant, unless it provides certain disclosure to the Client and obtains the requisite specific and informed written consent of the Client once in each 12 month period (the **Requested Relief**).

Under the Mutual Reliance Review System for Exemptive Relief Applications:

(a) the Ontario Securities Commission is the principal regulator for this application; and

(b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101 Definitions have the same meaning in this decision unless they are defined in this decision.

Representations

This decision is based on the following facts represented by each Filer:

7. The Filer has an office, carries on business, and is registered as an adviser in each of the Jurisdictions.

8. The Filer manages all of its clients' assets on a discretionary basis and may trade in the securities of one or more mutual funds or pooled funds managed or to be managed by the Filer or an affiliate or associate of the Filer (collectively, the **Funds**) for its Clients' accounts;

9. Clients of the Filer enter into a discretionary portfolio management account agreement with the Filer. Each Client specifically consents in writing to the Filer investing in one or more of the applicable Funds.

10. Securities of the applicable Funds may be offered on a continuous basis and will be acquired by residents of the Jurisdictions either under a prospectus filed by the Fund or on a private placement basis.

11. All Clients of the Filer receive an initial copy of the statement of policies of the Filer which lists the related issuers of the Filer. In the event of a significant change in its Statement of Policies, the Filer will provide to each of its Clients a copy of the revised version of, or amendment to, the Statement of Policies.

Decision

Each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the Decision has been met.

The decision of the Decision Makers pursuant to the Legislation is that the Requested Relief is granted to the Filer provided that the Filer has secured the specific and informed consent of the discretionary management Client in advance of the exercise of discretionary authority in respect of the applicable Funds.

"Paul M. Moore"
Commissioner
Ontario Securities Commission

"Suresh Thakrar"
Commissioner
Ontario Securities Commission

2.1.4 Assante Asset Management Ltd. - MRRS Decision

Headnote

Mutual reliance review system for exemptive relief applications – Portfolio manager exempted from the dealer registration requirements in the Legislation in respect of trades in shares or units of mutual funds managed by portfolio manager, made by portfolio manager through its officers and employees acting on its behalf, to managed accounts, subject to terms and conditions.

Statutes Cited

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

Rules Cited

National Instrument 81-102 Mutual Funds.
Ontario Securities Commission Rule 31-506 - SRO Membership - Mutual Fund Dealers.
Ontario Securities Commission Rule 45-501 Exempt Distributions.

Published Documents Cited

Letter Sent to The Investment Funds Institute of Canada and the Investment Counsel Association of Canada, December 6, 2000 (2000), 23 OSCB 8467.

June 22, 2005

IN THE MATTER OF
THE SECURITIES LEGISLATION
OF ONTARIO AND YUKON (the JURISTICTIONS)

AND

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

AND

IN THE MATTER OF
ASSANTE ASSET MANAGEMENT LTD. (the FILER)

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the **Decision Maker**) in each of the Jurisdictions) has received an application (**Application**) from the Filer for a decision that the requirement (the **Dealer Registration Requirement**) in the Legislation that prohibits a person or company from trading in a security unless the person or company is registered in the appropriate category of registration under the Legislation should not apply in respect of any trades made by the Filer to a client account of the Filer, in shares or units of a mutual fund (the **Funds**) that is managed by the Filer (the **Requested Relief**).

Under the Mutual Reliance Review System for Exemptive Relief Applications:

(a) the Ontario Securities Commission is the principal regulator for this Application;

(b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are defined in this decision.

Representations

1. The Filer is an investment management firm formed under the laws of the Province of Manitoba, and is registered as an advisor in the category of extra-provincial investment counsel and portfolio manager (or its equivalent) in all provinces and territories of Canada.

2. The Filer offers portfolio management services to a large retail client base through fully managed discretionary accounts which it establishes and maintains for its clients (the **Managed Accounts**). The Filer currently has assets under management of approximately $8.9 billion, $3.2 billion of which is in the Managed Accounts. The Filer conducts its portfolio management operations in accordance with adviser registrations which it maintains with each of the securities regulatory authorities in the Jurisdictions.

3. The Filer's portfolio management operations are designed to cater to individual investors. In some cases, the Filer exercises its discretion to cause the Managed Accounts to acquire units of the Funds. The Funds are, or will be, mutual funds governed under National Instrument 81-102 - *Mutual Funds* and offered by a simplified prospectus prepared in accordance with National Instrument 81-101 - *Mutual Fund Prospectus Disclosure*. The Funds are, or will be, managed by the Filer.

4. The Filer currently purchases securities of the Funds for settlement in the Managed Accounts through registered dealers.

5. The Filer would like to be able to distribute securities of the Funds directly to its clients without being compelled to engage registered dealers for such distributions. In order for the Filer to distribute mutual fund securities on a retail basis to its Managed Accounts would normally require the Filer to become registered as a mutual fund dealer and become a member of the Mutual

Fund Dealers Association of Canada (**MFDA**). For the reasons discussed below, the Filer does not believe it to be desirable or appropriate to become a mutual fund dealer.

6. As a mutual fund dealer, AAM would be subject to the requirements of Ontario Securities Commission Rule 31-506 - *SRO Membership - Mutual Fund Dealers* (the **MFDA Rule**) and its counterpart in the other Juristictions, and must become a member of the MFDA in accordance with the MFDA Rule.

7. Upon becoming a member of the MFDA, the Filer would be required to comply with the By-law and Rules of the MFDA including Section 2.3.1 of the MFDA Rules. Section 2.3.1 of the MFDA Rules provides that no member shall accept or act upon a general power of attorney or other similar authorization from a client in favour of the member. Section 2.3.1 is complemented by Section 2.3.4 which provides that the form of limited trading authorization contemplated by Section 2.3.2 may not in any way confer general discretionary trading authority upon a member.

8. The MFDA has advised that the words “or other similar authorization” in Section 2.3.1 of the MFDA Rules are intended to preclude mutual fund dealers from acting as advisers and accepting discretionary portfolio management mandates even though they may be both qualified and expressly registered to provide portfolio management services.

9. Accordingly, it would not be possible for the Filer to conduct its portfolio management business while at the same time be a member of the MFDA. If the Filer were precluded from directly offering mutual funds to its Managed Accounts, it would be deprived of a fundamentally important means of delivering investment management advice to Managed Accounts.

Decision

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 Requested Relief is granted provided that:

(a) at the time of the trade, the Filer is registered under the Legislation as an adviser in the category of portfolio manager (or the equivalent);

(b) if the trade is made in the Yukon, it is made by or at the direction of an officer or employee of the Filer who is, at the time of the trade, registered under the Legislation to act on behalf of the Filer as an adviser in the category of portfolio manager (or the equivalent);

(c) if the trade is made in Ontario, the Filer is, at the time of the trade, registered under the Legislation of the Jurisdiction as a dealer in the category of limited market dealer, and the trade is made on behalf of the Filer at the direction of an officer or employee of the Filer who is, at the time of the trade, either (i) registered under the Legislation to act on behalf of the Filer as an adviser in the category of portfolio manager (or the equivalent), or (ii) acting under the direction of such a person and is himself or herself registered under the Legislation to trade on behalf of the Filer pursuant to its limited market dealer registration; and

(d) for each Jurisdiction, this Decision shall terminate one year after the coming into force, subsequent to the date of this Decision, of a rule or other regulation under the Legislation of the respective Jurisdiction that relates, in whole or part, to any trading by persons or companies that are registered under the Legislation as portfolio managers (or the equivalent), in securities of a mutual fund, to an account of a client, in respect of which the person or company has full discretionary authority to trade in securities for the account, without obtaining the specific consent of the client to the trade, but does not include any rule or regulation that is specifically identified by the Decision Maker for the Jurisdiction as not applicable for these purposes.

“Paul M. Moore”
Commissioner
Ontario Securities Commission

“Suresh Thakrar”
Commissioner
Ontario Securities Commission

2.1.5 Global Credit Pref Corp. - s. 17.1 of NI 81-106

Headnote

Relief granted to an investment fund listed on the Toronto Stock Exchange from the requirement in National Instrument 81-106 Investment Fund Continuous Disclosure to calculate its net asset value on a daily basis subject to certain conditions and requirements.

Rules Cited

National Instrument 81-106 Investment Fund Continuous Disclosure, ss. 14.2(3), 17.1.

June 29, 2005

McMillan Binch Mendelsohn LLP

Attention: Kimberly J. Poster

Dear Sirs/Mesdames:

Re: Global Credit Pref Corp. (the "Company")
- Application dated May 30, 2005 filed pursuant to section 17.1 of National Instrument 81-106 ("NI 81-106")
- Application No. #391/05 and Sedar Project No. 791030

By letters dated May 30, 2005 and June 6, 2005 (collectively, the "Application"), you applied on behalf of the Company to the local securities regulatory authority or regulator (collectively the "Decision Makers") in each province of Canada except Prince Edward Island for exemptive relief from section 14.2(3) of NI 81-106 pursuant to section 17.1 of NI 81-106. Ontario is the principal jurisdiction of the Company.

From our review of the Application and the amended preliminary prospectus dated May 30, 2005 filed on behalf of the Company under Sedar Project No. 782387 (the "Preliminary Prospectus"), we understand the relevant facts and representations to be as follows:

1. The Company is a mutual fund corporation established under the laws of Ontario.

2. Gatehouse Capital Inc. (the "Manager") is the promoter and manager of the Company and will provide or arrange for the provision of administrative services required by the Company.

3. First Asset Investment Management Inc. (the "Investment Advisor") is the investment advisor to the Company. The Investment Advisor is registered as an advisor in the categories of investment counsel and portfolio manager, and is registered as a commodity trading counsel and commodity trading manager.

4. The Company will make an offering (the "Offering") to the public, on a best efforts basis, of preferred shares (the "Preferred Shares") pursuant to a final prospectus that will be filed with the securities regulatory authorities in each of the Provinces of Canada.

5. The Preferred Shares are expected to be listed and posted for trading on the Toronto Stock Exchange (the "TSX"). An application requesting conditional listing approval has been made by the Company to the TSX.

6. The Preferred Shares have been assigned a preliminary rating of P-l (Low) by Standard & Poor's, a division of The McGraw Hill Companies, Inc. ("S&P"), in accordance with the rating criteria applicable to Canadian special purpose entities.

7. The Company's investment objectives are: (i) to pay holders of Preferred Shares ("Holders") on a date that is approximately ten years from the closing date of the Offering (the "Redemption Date") an amount per Preferred Share equal to the original subscription price of $25.00 per Preferred Share; and (ii) to provide Holders with quarterly fixed cumulative preferential distributions.

8. The Company will invest the net proceeds of the Offering in order to obtain exposure to a credit linked note (the "Credit Linked Note"), which will be rated A- by S&P at closing of the Offering. The Credit Linked Note will be issued by The Toronto-Dominion Bank ("TD Bank"), whose long term debt is rated A+ by S&P as of the date hereof. The return on the Credit Linked Note will be linked to the number of defaults experienced over the term of the note among the issuers in an equally weighted portfolio of approximately 129 companies, all of which are currently rated investment grade by S&P.

9. In order to provide the Company with the means to meet its investment objectives, the Company will enter into a forward purchase and sale agreement (the "Forward Agreement") with TD Global Finance (the "Counterparty"), which will provide the Company with the economic return generated by the Credit Linked Note. The Credit Linked Note will be held by a newly created investment trust to be established under the laws of Ontario, Global Credit Trust. Under the terms of the Forward Agreement, the Counterparty will agree to pay to the Company, on or about the Redemption Date, as the purchase price for a portfolio of common shares of Canadian public companies to be acquired by the Company with the net proceeds of the Offering, the economic return provided by the Credit Linked Note. The obligations of the Counterparty will be guaranteed by TD Bank.

10. The net asset value per Preferred Share will be calculated twice a month. The Manager will post the net asset value per Preferred Share on its website at www.gatehousecapital.ca.

11. The description of the retraction process contained in the Preliminary Prospectus contemplates that the retraction price for the Preferred Shares will be determined as of the valuation date, being the last day of the month (the "Retraction Date"). As requests for retractions may be made at any time during the month and are subject to a cut-off date (five business days prior to the Retraction Date), and as the net asset value is calculated twice a month, retractions may not be implemented at a price equal to the net asset value next determined after receipt of the retraction request.

12. On a retraction, Holders will be entitled to receive a retraction price per Preferred Share equal to 95% of the net asset value determined at the relevant Retraction Date less $0.75. Holders of Preferred Shares that have retracted their shares will receive payment on or before the tenth business day following the relevant Retraction Date.

13. The Company will make fixed quarterly distributions to Holders of the Preferred Shares. The record date for Holders entitled to receive such distributions will be determined in accordance with the requirements of the TSX.

Decision

This letter confirms that, based on the information provided in the Application and the disclosure in the Preliminary Prospectus (including the facts and representations described above), and for the purposes described in the Application, the Decision Makers hereby grant an exemption from the following requirement of NI 81-106:

(a) section 14.2(3) – to permit the Company to calculate its net asset value and publish its net asset value twice a month provided that the final prospectus discloses:

(i) that the net asset value calculation is available to the public upon request; and

(ii) a website that the public can access for this purpose.

Yours truly,

"Leslie Byberg"
Manager, Investment Funds Branch

2.1.6 Global Credit Pref Corp. - s. 19.1 of NI 81-102

Headnote

Standard exchange traded fund relief granted from certain requirements in National Instrument 81-102 Mutual Funds to a structured product listed on the Toronto Stock Exchange not offered on a continuous basis. Relief also granted from certain of restrictions in National Instrument 81-102 Mutual Funds on securities lending transactions, including relief to exceed the 50% aggregate lending limit on a static common share portfolio.

Rules Cited

National Instrument 81-102 Mutual Funds, ss. 2.1(1), 2.4(2) and (3), 2.5(2)(a) and (c), 2.6(a)(ii), 2.3(g), 2.7(1)(a), 2.7(4), 2.12(1)1, 2 and 12, 2.12(3), 2.15, 2.16, 3.3, 10.3, 10.4, 12.1, 14.1 and section 19.1.

June 29, 2005

McMillan Binch Mendelsohn LLP

Attention: Kimberly J. Poster

Dear Sirs/Mesdames:

Re: Global Credit Pref Corp. (the "Company")
- Application dated May 30, 2005 filed pursuant to section 19.1 of National Instrument 81-102 ("NI 81-102")
- Application No. #391/05 and Sedar Project No. 791030

By letters dated May 30, 2005 and June 6, 2005 (collectively, the "Application"), you applied on behalf of the Company to the local securities regulatory authority or regulator (collectively the "Decision Makers") in each province of Canada except Québec for exemptive relief from certain provisions of NI 81-102 pursuant to section 19.1 of NI 81-102. Ontario is the principal jurisdiction of the Company.

From our review of the Application and the amended preliminary prospectus dated May 30, 2005 filed on behalf of the Company under Sedar Project No. 782387 (the "Preliminary Prospectus"), we understand the relevant facts and representations to be as follows:

1. The Company is a mutual fund corporation established under the laws of Ontario.

2. Gatehouse Capital Inc. (the "Manager") is the promoter and manager of the Company and will provide or arrange for the provision of administrative services required by the Company.

3. First Asset Investment Management Inc. (the "Investment Advisor") is the investment advisor to the Company. The Investment Advisor is registered as an advisor in the categories of investment counsel and portfolio manager, and is

registered as a commodity trading counsel and commodity trading manager.

4. The Company will make an offering (the "Offering") to the public, on a best efforts basis, of preferred shares (the "Preferred Shares") pursuant to a final prospectus that will be filed with the securities regulatory authorities in each of the Provinces of Canada.

5. The Preferred Shares are expected to be listed and posted for trading on the Toronto Stock Exchange (the "TSX"). An application requesting conditional listing approval has been made by the Company to the TSX.

6. The Preferred Shares have been assigned a preliminary rating of P-l (Low) by Standard & Poor's, a division of The McGraw Hill Companies, Inc. ("S&P"), in accordance with the rating criteria applicable to Canadian special purpose entities.

7. The Company's investment objectives are: (i) to pay holders of Preferred Shares ("Holders") on a date that is approximately ten years from the closing date of the Offering (the "Redemption Date") an amount per Preferred Share equal to the original subscription price of $25.00 per Preferred Share; and (ii) to provide Holders with quarterly fixed cumulative preferential distributions.

8. The Company will invest the net proceeds of the Offering in order to obtain exposure to a credit linked note (the "Credit Linked Note"), which will be rated A- by S&P at closing of the Offering. The Credit Linked Note will be issued by The Toronto-Dominion Bank ("TD Bank"), whose long term debt is rated A+ by S&P as of the date hereof. The return on the Credit Linked Note will be linked to the number of defaults experienced over the term of the note among the issuers in an equally weighted portfolio (the "CLN Portfolio") of approximately 129 companies, all of which are currently rated investment grade by S&P.

9. In order to provide the Company with the means to meet its investment objectives, the Company will enter into a forward purchase and sale agreement (the "Forward Agreement") with TD Global Finance (the "Counterparty"), which will provide the Company with the economic return generated by the Credit Linked Note. The Credit Linked Note will be held by a newly created investment trust to be established under the laws of Ontario, Global Credit Trust. Under the terms of the Forward Agreement, the Counterparty will agree to pay to the Company, on or about the Redemption Date, as the purchase price for a portfolio of common shares of Canadian public companies (the "Common Share Portfolio") to be acquired by the Company with the net proceeds of the Offering, the economic return provided by the Credit Linked Note. The obligations of the Counterparty will be guaranteed by TD Bank.

10. The Company proposes to engage in securities lending transactions with respect to the securities in the Common Share Portfolio in order to earn additional returns which it expects will defray some of its ongoing operating costs. The Company expects that such loans will represent greater than 50% of the total assets of the Company. The Company may lend securities to one or more borrowers directly, or may lend securities indirectly through an agent, which agent may not be the Company's custodian but would be a Canadian financial institution or the investment bank affiliate of a Canadian financial institution.

11. The Company shall ensure that any agent through which the Company lends securities has established, and shall maintain, appropriate internal controls, procedures and records for securities lending transactions as prescribed in subsection 2.16(2) of NI 81-102.

12. If the Company lends securities to borrowers directly, each of the Company and the Manager shall, in administering such securities lending transactions, exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances, and shall ensure that the borrower has established, and shall maintain, appropriate internal controls, procedures and records for securities lending transactions as prescribed in subsection 2.16(2) of NI 81-102.

13. The securities in the Common Share Portfolio will be pledged to the Counterparty as collateral for the obligations of the Company under the Forward Agreement. The Counterparty must release its security interest in the securities in the Common Share Portfolio in order to allow the Company to lend such securities, provided that the Company grants to the Counterparty a security interest in the collateral held by the Company for the loaned securities.

14. The Common Share Portfolio is a static portfolio that will not be actively managed except in limited circumstances. It would not be practical for the Company's custodian to act as an agent with respect to securities lending transactions since at no time will the custodian have possession of, or control over, the securities in question.

15. The Preliminary Prospectus contains, and the final prospectus will contain, disclosure with respect to securities lending by the Company. Other than with respect to the exemptions granted hereunder, any securities lending transactions will be conducted in accordance with the provisions of NI 81-102.

16. The net asset value per Preferred Share will be calculated twice a month. The Manager will post the net asset value per Preferred Share on its website at www.gatehousecapital.ca.

17. The description of the retraction process contained in the Preliminary Prospectus contemplates that the retraction price for the Preferred Shares will be determined as of the valuation date, being the last day of the month (the "Retraction Date"). As requests for retractions may be made at any time during the month and are subject to a cut-off date (five business days prior to the Retraction Date), and as the net asset value is calculated twice a month, retractions may not be implemented at a price equal to the net asset value next determined after receipt of the retraction request.

18. On a retraction, Holders will be entitled to receive a retraction price per Preferred Share equal to 95% of the net asset value determined at the relevant Retraction Date less $0.75. Holders of Preferred Shares that have retracted their shares will receive payment on or before the tenth business day following the relevant Retraction Date.

19. The Company will make fixed quarterly distributions to Holders of the Preferred Shares. The record date for Holders entitled to receive such distributions will be determined in accordance with the requirements of the TSX.

Decision

This letter confirms that, based on the information provided in the Application and the disclosure in the Preliminary Prospectus (including the facts and representations described above), and for the purposes described in the Application, the Decision Makers hereby grant exemptions from the following requirements of NI 81-102:

(a) subsection 2.1(1) – to permit the Company to enter into and maintain a position in the Forward Agreement for which the payment obligations of the Counterparty will be determined by reference to the performance of Global Credit Trust;

(b) subsections 2.4(2) and 2.4(3) – to permit the Company's exposure under the Forward Agreement (and any replacement or assignment of that agreement) to exceed the limitations relating to investment in illiquid assets, provided that the mark-to-market exposure to the Counterparty under the Forward Agreement (and any replacement or assignment of that agreement), for a period of 60 days or more, shall not exceed 30 percent of the assets of the Company;

(c) subsections 2.5(2)(a) and 2.5(2)(c) – to permit the Company to enter into and maintain a position in the Forward Agreement for which the payment obligations of the Counterparty will be determined by reference to the performance of Global Credit Trust, in order to provide the Company with exposure to the Credit Linked Note as described in the Preliminary Prospectus;

(d) subsection 2.6(a)(ii) – to permit the Company to provide a security interest in its portfolio assets to the Counterparty in connection with the Forward Agreement, as disclosed in the Preliminary Prospectus, and any replacement or assignment of that agreement, in accordance with industry practice with respect to this type of transaction;

(e) subsections 2.3(g) and 2.7(1)(a) – to permit the Company to enter into the Forward Agreement (and any replacement or assignment of that agreement) that has a remaining term to maturity of greater than five years on the condition that the Company does not and will not enter into any other specified derivative transaction that does not satisfy the requirement of section 2.7(1)(a);

(f) subsection 2.7(4) – to exempt the Company from the prescribed exposure limit under the Forward Agreement (and any replacement or assignment of that agreement), provided that the mark-to-market exposure to the Counterparty under the Forward Agreement (and any replacement or assignment of that agreement) shall not exceed, for a period of 60 days or more, 30 percent of the net assets of the Company;

(g) subsection 2.12(1)1 – to permit the Company to enter into securities lending transactions that are not administered and supervised in the manner required by sections 2.15 and 2.16;

(h) subsection 2.12(1)2 – to permit the Company to enter into securities lending transactions made under written agreements that implement the provisions of section 2.12 other than subsections 2.12(1)1 , 2.12(1)12 and 2.12(3);

(i) subsection 2.12(1)12 – to permit the Company to enter into securities lending transactions pursuant to which the aggregate market value of all securities loaned exceeds 50% of the total assets of the Company, provided that the Company, in connection with each such transaction, receives the collateral prescribed by subsections 2.12(1)3 to 2.12(1)6, has rights set forth in subsections 2.12(1)7, 2.12(1)8, 2.12(1)9 and 2.12(1)11, and complies with subsection 2.12(1)10;

(j) subsection 2.12(3) – to permit the Company to provide a security interest to the Counterparty in the collateral delivered to it as collateral pursuant to a securities lending transaction as described in representation 13;

(k) section 2.15 – to permit the Company to lend securities either through an agent that is not the custodian of the Company or directly to a borrower, provided that:

(i) the Company enters into a written agreement with such agent or direct borrower that complies with each of the requirements set forth in subsection 2.15(4), except that references to compliance with NI 81-102 shall be as modified by the exemptions granted hereunder;

(ii) the Company, if lending to a direct borrower, or the agent administers the securities lending transactions in compliance with subsection 2.15(5); and

(iii) if the Company lends indirectly through an agent, the agent is a bank or trust company described in paragraph 1 or 2 of section 6.2 of NI 81-102 (an "Eligible Agent") or the investment bank affiliate of an Eligible Agent that is registered as an investment dealer;

(l) section 2.16 – to permit the Company to enter into securities lending transactions with direct borrowers that are not in compliance with the provisions of section 2.16 as they apply to agents provided that the Manager, itself, meets these requirements as it if was the agent;

(m) section 3.3 – so that the organizational costs and the expenses of the Offering can be borne by the Company;

(n) section 10.3 – to permit the Company to calculate the retraction price of the Preferred Shares in the manner described in the Preliminary Prospectus and on the applicable Valuation Date, as defined in the Preliminary Prospectus, following the surrender of Preferred Shares for retraction;

(o) section 10.4 – to permit the Company to pay the retraction price of the Preferred Shares on the Retraction Payment Date, as defined in the Preliminary Prospectus;

(p) section 12.1 – to relieve the Company from the requirement to file the prescribed compliance report; and

(q) section 14.1 – to relieve the Company from the requirement relating to the record date for payment of dividends or other distributions of the Company, provided that it complies with the applicable requirements of the TSX.

Yours truly,

"Leslie Byberg"
Manager, Investment Funds Branch

2.1.7 DaimlerChrysler Canada Finance Inc. and DaimlerChrysler AG - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – application from German/U.S. automobile manufacturer and Canadian finance subsidiary for relief from the application of Multilateral Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("MI 52-109") and Multilateral Instrument 52-110 – Audit Committees ("MI 52-110") – Canadian finance subsidiary unable to rely upon exemption for credit support issuers in section 13.4 of National Instrument 51-102 Continuous Disclosure Obligations ("NI 51-102") since i) credit supporter parent is not incorporated or organized under U.S. law, ii) the terms of the notes do not expressly entitle holders of notes to receive payment from credit supporter within 15 days of any failure by subsidiary to make a payment; and iii) subsidiary has issued certain commercial paper securities that are not "designated credit support securities" – Relief granted from NI 51-102 under a separate decision document (the "51-102 decision document") provided applicants comply with certain conditions – Relief granted from MI 52-109 and MI 52-110 provided the applicants comply with requirements contained in NI 51-102 decision document.

Applicable National Instruments

National Instrument 51-102 Continuous Disclosure Obligations.
Multilateral Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings.
Multilateral Instrument 52-110 – Audit Committees.

June 30, 2005

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO,
NEW BRUNSWICK, NOVA SCOTIA,
NEWFOUNDLAND AND LABRADOR,
YUKON TERRITORY, NORTHWEST TERRITORIES
AND NUNAVUT
(the "Jurisdictions")

AND

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

AND

IN THE MATTER OF
DAIMLERCHRYSLER CANADA FINANCE INC.
AND DAIMLERCHRYSLER AG
(the "Filers")

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the "Decision Maker") in each of the Jurisdictions has received an application from the Filers for a decision under the securities legislation of the Jurisdictions (the "Legislation") exempting DCCFI from:

(i) 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

(ii) the application of Multilateral Instrument 52-110 – *Audit Committees* ("MI 52-110"), pursuant to section 8.1 of MI 52-110.

Under the Mutual Reliance Review System for Exemptive Relief Applications:

(a) the Ontario Securities Commission is the principal regulator for this application; and

(b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101-*Definitions* have the same meaning in this decision unless they are defined this decision.

Representations

This decision is based on the following facts represented by the Filers:

1. DCCFI is a corporation incorporated under the laws of Québec by articles of incorporation dated November 8, 1994.

2. DCCFI does not carry on an operating business. DCCFI was formed to access Canadian and foreign capital markets to raise funds, which it lends to the subsidiaries of DaimlerChrysler AG ("DCAG") in Canada through a consolidated funding and cash management system. DCCFI obtains financing through the issuance in Canada and elsewhere of term debt, including medium term notes, and commercial paper.

3. DCCFI is a "reporting issuer" or its equivalent in each Jurisdiction where such status exists and is not included in a list of defaulting reporting issuers maintained by any of the Decision Makers.

4. All of the issued and outstanding voting securities of DCCFI are indirectly owned by DCAG.

5. DCCFI established a medium term note program ("MTN Program") in the Jurisdictions under former National Policy Statement No. 47 and former National Policy Statement No. 44 and renewed its

MTN Program in the Jurisdictions under National Instrument 44-101 - *Short Form Prospectus Distributions* and National Instrument 44-102 - *Shelf Distributions* by way of filing a short form base shelf prospectus dated May 11, 2004 and applicable pricing supplements.

6. As at December 31, 2004, DCCFI had approximately CDN. $CDN 3,438,828,000 in medium term notes (the "Notes") outstanding under its Canadian MTN Program, approximately CDN $1,921,420,000 or €1,200,000,000 in medium term notes outstanding under its European medium term note program and approximately CDN. $732,150,000 in commercial paper outstanding. The medium term notes and the commercial paper are the only securities of DCCFI that are held by the public.

7. DCAG is a credit supporter of DCCFI by virtue of DCAG providing a full and unconditional guarantee of the payments to be made by DCCFI under the Notes, as stipulated in the terms of the Notes, that results in the holder of such Notes being entitled to receive payment from DCAG duly and punctually on demand upon any failure by DCCFI to make a payment.

8. DCCFI does not qualify for the relief for credit support issuers contemplated by section 13.4 (the "Credit Support Issuer Exemption") of National Instrument 51-102 – *Continuous Disclosure Obligations* ("NI 52-102").

9. Accordingly, pursuant to the MRRS decision document *In the Matter of DaimlerChrysler Canada Finance Inc. and DaimlerChrysler AG* dated June 30, 2005 (the "Previous Decision"), the Decision Makers exempted DCCFI from the application of NI 51-102 and the application of any comparable continuous disclosure requirements under the Legislation of the Jurisdictions that have not yet been repealed or otherwise rendered effective as a consequence of the adoption of NI 51-102.

11. DCCFI is unable to rely upon the exemption for credit support issuers from the requirements of MI 52-109 contained in section 4.4 thereof, since DCCFI does not qualify for the relief contemplated by the Credit Support Issuer Exemption.

12. MI 52-110 applies to DCCFI, since DCCFI does not qualify for the relief contemplated by the Credit Support Issuer Exemption.

Decision

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 DCCFI be exempted from the requirements of MI 52-109, provided that the Filers are in compliance with the requirements and the conditions set forth in paragraphs (a) through (e) of the decision relating to NI 51-102 of the Previous Decision.

The further decision of the Decision Makers under the Legislation is that DCCFI be exempted from the application of MI 52-110, provided that the Filers are in compliance with the requirements and the conditions set forth in paragraphs (a) through (e) of the decision relating to NI 51-102 of the Previous Decision.

"John Hughes"
Manager, Corporate Finance
Ontario Securities Commission

2.1.8 DaimlerChrysler Canada Finance Inc. and DaimlerChrysler AG - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – application from German/U.S. automobile manufacturer and Canadian finance subsidiary for relief from

- the requirements of National Instrument 51-102 – *Continuous Disclosure Obligations* ("NI 51-102") as they would otherwise apply to the Canadian finance subsidiary;

- the requirements of National Instrument 44-101 - *Short Form Prospectus Distributions* ("NI 44-101") and National Instrument 44-102 – *Shelf Distributions* ("NI 44-102") that a person or company guaranteeing non-convertible debt issued by an issuer be a "reporting issuer" with a 12 month reporting history in a Jurisdiction and have a "current AIF" in order to qualify to file a prospectus in the form of a short form prospectus for a distribution of guaranteed non-convertible securities in the Jurisdictions;

- the requirements of NI 44-101 and NI 44-102 that an issuer have a "current AIF" in order to qualify to file a prospectus in the form of a short form prospectus for a distribution of non-convertible securities with an approved rating in the Jurisdictions;

- the requirements of NI 44-101 that a short form prospectus include certain prescribed disclosures; and

- the requirements of NI 44-102 that an issuer distributing securities by way of a medium term note program using the shelf procedures update earnings coverage ratios.

Canadian finance subsidiary is wholly owned subsidiary of German/U.S. parent – finance subsidiary formed to access Canadian and foreign capital markets to raise funds, which are lent to the parent's subsidiaries in Canada – finance subsidiary has no other operations – finance subsidiary has medium term notes, which are unconditionally and irrevocably guaranteed by the parent, and commercial paper issued and outstanding.

German/U.S. parent incorporated under the laws of the Federal Republic of Germany – parent's shares registered under the *Securities Exchange Act of 1934* and are listed on the Frankfurt Stock Exchange and the New York Stock Exchange – parent's long-term debt has an approved rating – parent acts as credit supporter for notes issued by Canadian finance subsidiary.

Canadian finance subsidiary unable to rely upon the exemption for credit support issuers in section 13.4 of NI 51-102 since i) credit supporter parent is not incorporated or organized under the laws of the U.S., ii) the terms of the notes do not expressly entitle holders of notes to receive payment from credit supporter within 15 days of any failure by subsidiary to make a payment; and iii) subsidiary has issued certain commercial paper securities that are not "designated credit support securities" (the "non-satisfied conditions").

Relief granted from NI 51-102 provided parent and finance subsidiary comply with the requirements and conditions of section 13.4 of NI 51-102, other than the non-satisfied conditions and provided certain other conditions are met, including condition that finance subsidiary not issue securities, other than:

- securities described in subparagraphs 13.4(2)(c)(i) through (iii) of NI 51-102; or

- negotiable promissory notes or commercial paper that satisfies the requirements of the commercial paper exemption from the prospectus requirement of the Legislation of the Jurisdiction in which such notes or commercial paper are traded and, upon proposed National Instrument 45-106 – *Prospectus and Registration Exemptions* coming into force in a Jurisdiction in which such notes or commercial paper are traded, that satisfies the requirements of the commercial paper exemption from the prospectus requirement of the Legislation in that Jurisdiction contained in such instrument.

Relief granted from the eligibility requirement, the AIF requirement, the prospectus disclosure requirements and the earnings coverage requirement – relief subject to certain conditions, including the filing under the issuer's SEDAR profile of alternative financial disclosure in respect of the issuer and other disclosure documents filed by the credit supporter with the U.S. Securities and Exchange Commission.

Applicable National Instruments

National Instrument 44-101 Short Form Prospectus Distributions and Form 44-101F3 Short Form Prospectus.
National Instrument 44-102 Shelf Distributions.
National Instrument 51-102 Continuous Disclosure Obligations
National Instrument 71-101 The Multijurisdictional Disclosure System.

June 30, 2005

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

AND

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

AND

IN THE MATTER OF
DAIMLERCHRYSLER CANADA FINANCE INC.
AND DAIMLERCHRYSLER AG
(the "Filers")

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the "Decision Maker") in the Jurisdictions has received an application from DaimlerChrysler Canada Finance Inc. ("DCCFI") and DaimlerChrysler AG ("DCAG") for a decision under the securities legislation of the Jurisdictions (the "Legislation") exempting DCCFI from (the "Relief"):

(i) the application of National Instrument 51-102 – *Continuous Disclosure Obligations* ("NI 51-102"), pursuant to section 13.1 of NI 51-102, and the application of any comparable continuous disclosure requirements under the Legislation of the Jurisdictions that have not yet been repealed or otherwise rendered ineffective as a consequence of the adoption of NI 51-102, except in Prince Edward Island and Northwest Territories;

(ii) the requirements of National Instrument 44-101 - *Short Form Prospectus Distributions* ("NI 44-101") and National Instrument 44-102 – *Shelf Distributions* ("NI 44-102") that a person or company guaranteeing non-convertible debt issued by an issuer be a "reporting issuer" with a 12 month reporting history in a Jurisdiction and have a "current AIF" in order to qualify to file a prospectus in the form of a short form prospectus for a distribution of guaranteed non-convertible securities in the Jurisdictions (the "Eligibility Requirement"), pursuant to section 15.1 of NI 44-101 and section 11.1 of NI 44-102, respectively;

(iii) the requirements of NI 44-101 and NI 44-102 that an issuer have a "current AIF" in order to qualify to file a prospectus in the form of a short form prospectus for a distribution of non-convertible securities with an approved rating in the Jurisdictions (the "AIF Requirement"), pursuant to section 15.1 of NI 44-101 and section 11.1 of NI 44-102, respectively;

(iv) the requirements of NI 44-101 that a short form prospectus include the information set forth in Item 7, Items 12.1(1) and 12.1(2) and Item 12.2 of Form 44-101F3 of NI 44-101 (the "Prospectus Disclosure Requirements"), pursuant to section 15.1 of NI 44-101; and

(v) the requirements of NI 44-102 that an issuer distributing securities by way of a medium term note program ("MTN Program") using the Shelf Procedures (as hereinafter defined) update earnings coverage ratios (the "Earnings Coverage Requirement"), pursuant to section 11.1 of NI 44-102.

Under the Mutual Reliance Review System for Exemptive Relief Applications:

(a) the Autorité des marchés financiers is the principal regulator for this application; and

(b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101- *Definitions,* Québec Commission Notice 14-101, National Instrument 44-101 - *Short Form Prospectus Distributions* and National Instrument 51-102 – *Continuous Disclosure Obligations* have the same meaning in this decision unless they are defined this decision.

Representations

This decision is based on the following facts represented by the Filers:

1. DCCFI is a corporation incorporated under the laws of Québec by articles of incorporation dated November 8, 1994.

2. DCCFI does not carry on an operating business. DCCFI was formed to access Canadian and foreign capital markets to raise funds, which it lends to the DCAG subsidiaries in Canada through a consolidated funding and cash management system. DCCFI obtains financing through the issuance in Canada and elsewhere of term debt, including medium term notes, and commercial paper.

3 DCCFI is a "reporting issuer" or its equivalent in each Jurisdiction where such status exists and is not included in a list of defaulting reporting issuers maintained by any of the Decision Makers.

4. DCAG is a corporation incorporated on May 6, 1998 under the laws of the Federal Republic of Germany.

5. DCAG and its subsidiaries develop, manufacture, distribute and sell a wide range of automotive products, mainly passenger cars, light trucks and commercial vehicles.

6. DCAG is the indirect beneficial owner of all of the issued and outstanding voting securities of DCCFI.

7. The ordinary shares of DCAG are registered under section 12(b) of the *Securities Exchange Act of 1934*, as amended (the "1934 Act"), of the United States of America. DCAG is subject to the reporting requirements of the 1934 Act. DCAG has filed, for a period of more than 5 years, all reports required to be filed with the Securities and Exchange Commission ("SEC") under the 1934 Act, including annual reports on Form 20-F, quarterly reports on Form 6-K and current reports on Form 6-K, and prior thereto Chrysler Corporation or its predecessors had filed, for a period of more than 40 years, all reports required to be filed with the SEC under the 1934 Act. DCAG is in compliance with the requirements of the *Securities Exchange Act of 1933*, as amended, of the United States of America and the 1934 Act.

8. The ordinary shares of DCAG are listed on, among other exchanges, the Frankfurt Stock Exchange ("FSE") and the New York Stock Exchange ("NYSE"). DCAG is in compliance with the requirements of the FSE and NYSE in respect of making public disclosure of material information on a timely basis.

9. As at December 31, 2004, DCAG had an aggregate of 1,012,824,191 ordinary shares issued and outstanding worldwide, with a market capitalization of €35.7 billion. As at December 31, 2004, DCAG also had approximately €45.0 billion in long-term financial instruments outstanding worldwide. All of DCAG's long-term debt is rated "BBB" by Standard & Poor's, a division of the McGraw-Hill Companies, Inc. ("S&P"), "A-3" by Moody's Investor Services Inc., "BBB+" by Fitch Ratings Ltd. and "A (low)" by Dominion Bond Rating Service Limited ("DBRS"), being approved ratings under NI 44-101. DCAG expects that its long-term debt will continue to receive an approved rating.

10. DCCFI established a MTN Program in the Jurisdictions under former National Policy Statement No. 47 and former National Policy Statement No. 44 by way of filing a short form base shelf prospectus dated March 14, 2000 and having received a receipt therefor from each of the Decision Makers. DCCFI renewed its MTN Program in the Jurisdictions under NI 44-101 and NI 44-102 (collectively, the "Shelf Procedures") by way of filing a short form base shelf prospectus dated April 11, 2002 and a short form base shelf prospectus dated May 11, 2004 and applicable pricing supplements (the "2004 Prospectus") and having received receipts therefor from each of the Decision Makers.

11. As at December 31, 2004, DCCFI had approximately CDN. $CDN 3,438,828,000 in medium term notes outstanding under its Canadian MTN Program, approximately CDN $1,921,420,000 or €1,200,000,000 in medium term notes outstanding under its European medium term note program and approximately CDN. $732,150,000 in commercial paper outstanding. The medium term notes and the commercial paper are the only securities of DCCFI that are held by the public in Canada. All of DCCFI's medium term notes are rated "A (low)" by DBRS, with a stable trend, and "BBB" by S&P, with a stable outlook, each being an approved rating under NI 44-101. All of DCCFI's commercial paper is rated "R-1 (low)" by DBRS, with a stable trend, "A-2" by S&P and Prime-2 by Moody's Investors Service, Inc., each being an approved rating under NI 51-102. DCCFI expects that its medium term notes and its commercial paper will each continue to receive an approved rating.

12. Under DCCFI's commercial paper program ("CP Program"), the aggregate principal amount of negotiable promissory notes or commercial paper ("Commercial Paper") that DCCFI is currently entitled to distribute is not to exceed $2,500,000,000 in lawful money of the United States of America. All Commercial Paper issued by DCCFI under its CP Program matures not more than one year from the date of issue, is not convertible into or accompanied by a right to purchase another security, has an approved rating from an approved rating organization, and each such Commercial Paper traded to an individual has a denomination or principal amount of not less than $50,000.

13. Under DCCFI's MTN Program, the aggregate principal amount of medium term notes ("Notes") that DCCFI is entitled to distribute under the 2004 Prospectus during the twenty-five month period that the 2004 Prospectus remains valid will not exceed $5,000,000,000 in lawful money of Canada or the equivalent thereof in other currencies (the "Current Offering").

14. DCAG is a credit supporter of DCCFI by virtue of DCAG providing a full and unconditional guarantee of the payments to be made by DCCFI under the Notes, as stipulated in the terms of the Notes, that results in the holder of such Notes being entitled to receive payment from DCAG duly and punctually on demand upon any failure by DCCFI to make a payment. Neither the terms of the Notes nor the agreements governing the rights of holders of the Notes expressly entitle holders of Notes to receive payment from DCAG within 15 days of any failure by DCCFI to make a payment.

15. DCCFI may, in the future, file renewal short form base shelf prospectuses and, if applicable, prospectus supplements and pricing supplements (collectively, the "Renewal Prospectuses") in the Jurisdictions using the Shelf Procedures prior to the lapse of the 2004 Prospectus and the Renewal Prospectuses and file additional short

form base shelf prospectuses and, if applicable, prospectus supplements and pricing supplements (collectively, "Prospectuses") in the Jurisdictions using the Shelf Procedures, in respect of the distribution by DCCFI of additional Notes from time to time (the "Future Offerings" and, together with the Current Offering, the "Offerings" and, individually, an "Offering").

16. All Notes issued by DCCFI pursuant to the Current Offering and the Future Offerings will have received an approved rating and DCAG will have provided a full and unconditional guarantee of the payments to be made by DCCFI, to be stipulated in the terms of the Notes, that results in the holder of such Notes being entitled to receive payment from DCAG duly and punctually on demand upon any failure by DCCFI to make a payment.

17. DCCFI is unable to rely upon the exemption for credit support issuers from the application of NI 51-102 contained in section 13.4 of NI 51-102 (the "Credit Support Issuer Exemption"), since:

    (a) DCAG is not incorporated or organized under the laws of the United States of America or any state or territory of the United Shares of America or the District of Columbia;

    (b) neither the terms of the Notes nor any agreement governing the rights of holders of the Notes expressly entitle holders of Notes to receive payment from DCAG within 15 days of any failure by DCCFI to make a payment; and

    (c) DCCFI issues Commercial Paper that is not designated credit support securities.

18. On June 20, 2005, DCCFI issued and filed a news release announcing that it had submitted an application to the Decision Makers for an exemption from the continuous disclosure requirements under the Legislation of the Jurisdictions, including preparing and filing annual and interim financial statements, management's discussion and analysis with respect thereto, an annual information form and material change reports

Decision

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 (other than the Decision Makers in Prince Edward Island and Northwest Territories) under the Legislation is that DCCFI be exempted from the application of NI 51-102, and the application of any comparable continuous disclosure requirements under the Legislation of the Jurisdictions that have not yet been repealed or otherwise rendered ineffective as a consequence of the adoption of NI 51-102, provided that:

(a) DCAG and DCCFI are in compliance with the requirements and conditions of section 13.4 of NI 51-102, other than the requirements of:

    (i) subsection 13.4(1) of NI 51-102 that:

        (A) DCAG be incorporated or organized under the laws of the United States of America or any state or territory of the United Shares of America or the District of Columbia; and

        (B) the holders of designated credit support securities be entitled to receive payment from the credit supporter within 15 days of any failure by the credit support issuer to make a payment; and

    (ii) paragraph 13.4(2)(c) of NI 51-102 to the extent that DCCFI issues Commercial Paper that is not designated credit support securities;

(b) DCAG remains incorporated or organized under the laws of the Federal Republic of Germany;

(c) the only credit supporter of DCCFI is DCAG;

(d) DCAG has provided a full and unconditional guarantee of the payments to be made by DCCFI under the Notes, as stipulated in the terms of the Notes or in any agreement governing the rights of holders of the Notes, that results in the holder of such Notes being entitled to receive payment from DCAG duly and punctually on demand upon any failure by DCCFI to make a payment; and

(e) DCCFI does not issue any securities, other than:

    (i) securities described in subparagraphs 13.4(2)(c)(i) through (iii)

of NI 51-102, as amended or replaced from time to time; or

(ii) negotiable promissory notes or commercial paper that satisfies the requirements of the commercial paper exemption from the prospectus requirement of the Legislation of the Jurisdiction in which such notes or commercial paper are traded and, upon proposed National Instrument 45-106 – *Prospectus and Registration Exemptions* coming into force in a Jurisdiction in which such notes or commercial paper are traded, that satisfies the requirements of the commercial paper exemption from the prospectus requirement of the Legislation in that Jurisdiction contained in such instrument.

The further decision of the Decision Makers under the Legislation is that DCCFI be exempted from the Eligibility Requirement, the AIF Requirement, the Prospectus Disclosure Requirements and the Earnings Coverage Requirement in connection with any Offering, provided that:

(a) DCCFI complies with all of the other requirements of NI 44-101 and NI 44-102, except as varied by this Decision or as permitted by NI 44-102;

(b) at all times during the currency of the 2004 Prospectus and prior to the filing of any Renewal Prospectuses or any Prospectuses in connection with other Future Offerings, DCAG has caused to be filed with the Decisions Makers, in electronic format under DCCFI'S SEDAR profile, the following documents required to be filed with the SEC under section 13 and 15(d) of the 1934 Act, at the same time or as soon as practicable after the filing by DCAG of those documents with the SEC, since its last fiscal year end:

(i) most recent annual report on Form 20-F of DCAG filed with the SEC;

(ii) quarterly reports on Form 6-K of DCAG filed with the SEC for the then most recently completed fiscal quarter; and

(iii) all current reports on Form 6-K of DCAG required to be filed with the SEC;

(c) the 2004 Prospectus, any Renewal Prospectuses or any Prospectuses in connection with Future Offerings are prepared in accordance with NI 44-101 and NI 44-102 and comply with the requirements set out in Form 44-101F3 of NI 44-101 ("Form 44-101F3") with the disclosure required by:

(i) Item 12.1(1) of Form 44-101F3 being satisfied by incorporating by reference:

(A) the most recent annual report on Form 20-F of DCAG filed with the SEC;

(B) all quarterly reports on Form 6-K of DCAG filed with the SEC, and all current reports on Form 6-K of DCAG required to be filed with the SEC, in respect of the financial year following the year that is the subject of the most recent annual report on Form 20-F of DCAG filed with the SEC;

(C) any material change reports filed by DCCFI;

(D) in respect of the 2004 Prospectus filed in connection with the Current Offering only, the audited annual financial statements of DCCFI for the fiscal years ended December 31, 2004, 2003 and 2002;

(ii) Item 12.2 of Form 44-101F3 being addressed by incorporating by reference the following documents required to be filed with the SEC or the Decision Makers, as applicable, subsequent to the date of the 2004 Prospectus and the particular Renewal Prospectuses or Prospectuses in connection with Future Offerings, but prior to the termination of the particular Offering:

(A) any annual reports on Form 20-F of DCAG filed with the SEC;

(B) any quarterly reports on Form 6-K of DCAG filed with the SEC and all current reports on Form 6-K of DCAG required to be filed with the SEC; and

(C) any material change reports filed by DCCFI; and

(iii) Item 7 of Form 44-101F3 (earnings coverage ratios) and section 8.4 of NI 44-102 (requirement to update earnings coverage ratios) being addressed in respect of DCCFI by disclosure with respect to DCAG and by filing updated earnings coverage ratios, concurrently with the filing of:

(A) the most recent annual report on Form 20-F of DCAG filed with the SEC; and

(B) all quarterly reports on Form 6-K of DCAG filed with the SEC in respect of the financial year following the year that is the subject of the most recent annual report on Form 20-F of DCAG filed with the SEC,

either as an exhibit to such reports or as an other document incorporated by reference in the 2004 Prospectus, any Renewal Prospectuses or any Prospectuses in connection with Future Offerings,

and will state that purchasers of Notes will not receive separate continuous disclosure with respect to DCCFI;

(d) the 2004 Prospectus, any Renewal Prospectuses or any Prospectuses in connection with Future Offerings incorporate by reference disclosure made in the then most recent annual report on Form 20-F of DCAG filed with the SEC, together with all quarterly reports on Form 6-K of DCAG filed with the SEC for the then most recently completed fiscal quarter and all current reports on Form 6-K of DCAG required to be filed with the SEC in respect of the financial year following the year that is the subject of the then most recent annual report on Form 20-F of DCAG filed with the SEC and incorporate by reference any document of the foregoing type required to be filed with the SEC after the date of the 2004 Prospectus, any Renewal Prospectuses or any Prospectuses in connection with any Future Offerings;

(e) DCAG continues to provide a full and unconditional guarantee of the payments to be made by DCCFI under the Notes, as stipulated in the terms of the Notes or any agreement governing the rights of holders of the Notes, that results in the holder of such Notes being entitled to receive payment from DCAG duly and punctually on demand upon any failure by DCCFI to make a payment;

(f) all Notes issued by DCCFI have received an approved rating;

(g) DCAG signs the 2004 Prospectus, any Renewal Prospectuses and any Prospectuses in connection with any Future Offerings as credit supporter;

(h) DCAG satisfies the criteria specified in the definition of "SEC MJDS issuer" set out in subsection 13.4(1) of NI 51-102, other than the criterion specified in paragraph (a) of that definition that DCAG be incorporated or organized under the laws of the United States of America or any state or territory of the United Shares of America or the District of Columbia, provided that DCAG remains incorporated or organized under the laws of the Federal Republic of Germany;

(i) DCAG undertakes to cause to be filed with the Decision Makers, in electronic format through SEDAR under DCCFI's SEDAR profile, the following documents required to be filed with the SEC under section 13 and 15(d) of the 1934 Act, at the same time or as soon as practicable after the filing by DCAG of those documents with the SEC:

(i) all annual reports on Form 20-F of DCAG filed with the SEC;

(ii) all quarterly reports on Form 6-K of DCAG filed with the SEC; and

(iii) all current reports on Form 6-K of DCAG required to be filed with the SEC,

until such time as the Notes are no longer outstanding; and

(j) the consolidated annual financial statements of DCAG and the consolidated interim financial statements of DCAG dated on or after January 1, 2004 that will be included or incorporated by reference in the 2004 Prospectus, any Renewal Prospectuses or any Prospectuses in connection with Future Offerings will be prepared in accordance with National Instrument 52-107 – *Acceptable Accounting Principles, Auditing Standards and Foreign Currency*.

"Jean St-Gelais"
Président Directeur Général

2.1.9 Merrill Lynch Financial Assets Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Issuer of mortgage pass-through certificates previously granted an exemption from the requirements to file annual and interim financial statements, subject to certain conditions. Issuer granted an exemption from the requirements in Multilateral Instrument 52-109 to file annual and interim certificates, subject to certain conditions, including the requirement to file alternative forms of annual and interim certificates.

Instrument cited

Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings.

June 29, 2005

**IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO,
NOVA SCOTIA, NEW BRUNSWICK AND
NEWFOUNDLAND AND LABRADOR
(the "Jurisdictions")**

AND

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

AND

**IN THE MATTER OF
MERRILL LYNCH FINANCIAL ASSETS INC.
(the "Filer")**

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the "Decision Maker") in each of the Jurisdictions has received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the "Legislation") for an exemption from the requirements in Multilateral Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* to file interim certificates and annual certificates, subject to certain conditions (the "Requested Relief").

Under the Mutual Reliance Review System for Exemptive Relief Applications:

(a) the Ontario Securities Commission is the principal regulator for this application, and

(b) this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

Defined terms contained in National Instrument 14-101 – *Definitions* have the same meaning in this decision unless they are defined in this decision.

Representations

This decision is based on the following facts represented by the Filer:

1. The Filer was incorporated under the laws of Canada on March 13, 1995 under the name Bulls Offering Corporation. By articles of amendment dated December 3, 1998, the name of the Filer was changed to Merrill Lynch Mortgage Loans Inc. By articles of amendment dated March 15, 2001, the name of the Filer was changed to Merrill Lynch Financial Assets Inc. The Filer is a wholly-owned subsidiary of Merrill Lynch & Co., Canada Ltd. ("ML & Co.").

2. The Filer is a reporting issuer, or the equivalent, in each of the provinces of Canada that provides for a reporting issuer regime.

3. The head office of the Filer is located in Toronto, Ontario.

4. The financial year end of the Filer is December 31.

5. The articles of incorporation of the Filer restrict the activities of the Filer to the acquisition of various discrete pools of mortgages, receivables or other financial assets, either fixed or revolving, that by their terms convert into cash within a finite time period (the "Custodial Property"). The Filer funds the acquisition of the Custodial Property by issuing pass-through certificates that receive distributions from the Custodial Property acquired by the Filer and evidence an undivided co-ownership interest in the Custodial Property (the "Certificates"). The Custodial Property is deposited with a custodian and the recourse of Certificate holders is limited to the Custodial Property and any proceeds thereof.

6. The Filer was incorporated solely to act as a vehicle for carrying out activities related to issuing asset-backed securities in respect of Custodial Property acquired by the Filer.

7. The Filer has issued the following asset-backed securities (collectively, the "Issued Certificates"):

   (i) on December 21, 1998, the Filer offered, by private placement, $182,083,237 aggregate principal amount of pass-through certificates. Of these C-1 Certificates, $163,874,000 are designated as Exchangeable Commercial Mortgage Pass-Through Certificates, Series 1998-Canada 1 and were offered for sale by Merrill Lynch Canada Inc. and ScotiaMcLeod Inc. pursuant to a Confidential Offering Memorandum dated December 16, 1998. The balance of the C-1 Certificates were sold privately. The C-1 Certificates were subsequently qualified by a short form prospectus dated May 31, 1999;

   (ii) the Filer offered $214,079,251 aggregate principal amount of pass-through certificates. Of these C-2 Certificates, $193,741,000 were offered for sale by Merrill Lynch Canada Inc. pursuant to a short form prospectus dated September 16, 1999. The balance of the C-2 Certificates were sold privately;

   (iii) by short form prospectus dated October 1, 1999, the Filer offered $220,000,000 aggregate principal amount of pass-through certificates. The 1STT Certificates were offered for sale by Merrill Lynch Canada Inc.;

   (iv) the Filer offered $257,591,683 aggregate principal amount of pass-through certificates. Of these C-3 Certificates, $227,324,000 were offered for sale by Merrill Lynch Canada Inc. pursuant to a short form prospectus dated May 19, 2000. The balance of the C-3 Certificates were sold privately;

   (v) by short form prospectus dated September 28, 2000, the Filer offered, $115,500,000 aggregate principal amount of pass-through certificates. The BMCC Certificates were offered for sale by Merrill Lynch Canada Inc.;

   (vi) the Filer offered $287,619,638 aggregate principal amount of pass-through certificates. Of these C-4 Certificates, $255,981,000 were offered for sale by Merrill Lynch Canada Inc. pursuant to a short form prospectus dated November 21, 2000. The balance of the C-4 Certificates were sold privately;

   (vii) the Filer offered $200,192,047 aggregate principal amount of pass-through certificates. Of these LBC Certificates, $187,680,000 were offered for sale by Merrill Lynch Canada Inc. pursuant to a short form prospectus dated January 24, 2001;

   (viii) the Filer offered $248,729,008 aggregate principal amount of pass-through certificates. Of these C-5 Certificates, $221,990,000 were offered for sale by Merrill Lynch Canada Inc. pursuant to a

short form prospectus dated May 15, 2001. The balance of the C-5 Certificates were sold privately;

(ix) the Filer offered $265,495,510 aggregate principal amount of pass-through certificates. Of these C-6 Certificates, $236,954,000 were offered for sale by Merrill Lynch Canada Inc. pursuant to a short form prospectus dated November 27, 2001. The balance of the C-6 Certificates were sold privately;

(x) by short form prospectus dated February 5, 2002, the Filer offered $100,000,000 aggregate principal amount of pass-through certificates. The BC2P Certificates were offered for sale by Merrill Lynch Canada Inc.;

(xi) the Filer offered $280,741,039 aggregate principal amount of pass-through certificates. Of these C-7 Certificates, $256,100,000 were offered for sale by Merrill Lynch Canada Inc. pursuant to a short form prospectus dated May 8, 2002. The balance of the C-7 Certificates were sold privately;

(xii) by short form prospectus dated May 10, 2002, the Filer offered $223,879,000 aggregate principal amount of co-ownership certificates. The AmeriCredit Certificates were offered for sale by Merrill Lynch Canada Inc.;

(xiii) the Filer offered $468,331,177 aggregate principal amount of pass-through certificates. Of these C-8 Certificates, $423,830,000 were offered for sale by Merrill Lynch Canada Inc. pursuant to a short form prospectus dated November 20, 2002. The balance of the C-8 Certificates were sold privately;

(xiv) the Filer offered $328,250,173 aggregate principal amount of pass-through certificates. Of these C-9 Certificates, $302,400,000 were offered for sale by Merrill Lynch Canada Inc. pursuant to a short form prospectus dated April 25, 2003. The balance of the C-9 Certificates were sold privately;

(xv) the Filer offered $460,395,200 aggregate principal amount of pass-through certificates. Of these C-10 Certificates, $438,498,000 were offered for sale by Merrill Lynch Canada Inc. pursuant to a short form prospectus dated June 26, 2003. The balance of the C-10 Certificates were sold privately;

(xvi) the Filer offered $270,859,225 aggregate principal amount of pass-through certificates. Of these C-11 Certificates, $256,970,000 were offered for sale by Merrill Lynch Canada Inc. pursuant to a short form prospectus dated November 20, 2003. The balance of the C-11 Certificates were sold privately;

(xvii) the Filer offered $613,879,596 aggregate principal amount of pass-through certificates. Of these C-12 Certificates, $580,099,000 were offered for sale by Merrill Lynch Canada Inc. pursuant to a short form prospectus dated May 18, 2004. The balance of the C-12 Certificates were sold privately;

(xviii) the Filer offered $474,194,142 aggregate principal amount of pass-through certificates. Of these C-14 Certificates, $455,998,000 were offered for sale by Merrill Lynch Canada Inc. pursuant to a short form prospectus dated October 7, 2004. The balance of the C-14 Certificates were sold privately; and

(xix) the Filer offered $444,017,154 aggregate principal amount of pass-through certificates. Of these C-15 Certificates, $428,474,000 were offered for sale by Merrill Lynch Canada Inc. pursuant to a short form prospectus dated March 9, 2005. The balance of the C-15 Certificates were sold privately.

8. The Filer is currently a venture issuer (as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations*).

9. The only security holders of the Filer, excluding ML & Co., which owns all of its issued and outstanding voting securities, are and will be the holders of the Filer's asset-backed securities issued from time to time in respect of Custodial Property.

10. As a special purpose vehicle, the Filer will not carry on any activities other than activities related to issuing asset-backed securities in respect of Custodial Property acquired by the Filer.

11. The Filer currently has, and will continue to have, no material assets or liabilities other than its rights and obligations arising from acquiring Custodial Property and issuing asset-backed securities. Certificate holders will only have recourse to the Custodial Property and will not have any recourse to the Filer.

12. Pursuant to an MMRS decision document dated May 16, 2003, an order of the Manitoba Securities Commission dated June 7, 1999, an order of the

Quebec Securities Commission dated July 19, 1999 and an order of the New Brunswick Securities Commission dated November 29, 2004 (collectively, the "Previous Decision"), the Filer is exempted, on certain terms and conditions, from the requirements of the securities legislation in the jurisdictions of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, Nova Scotia, New Brunswick and Newfoundland and Labrador (the local securities regulatory authority or regulator in each such jurisdiction collectively, the "Previous Decision Makers") concerning the preparation, filing and delivery of interim financial statements and audited annual financial statements (the "Financial Statements").

13. For each offering of the Issued Certificates, the Filer entered into, and for each future offering of Certificates, the Filer will enter into, a pooling and servicing agreement or similar agreement (the "Securitization Agreement") with a reporting agent (the "Reporting Agent"), one or more servicers (each, a "Servicer"), and a Canadian trust company, as custodian on behalf of the Certificate holders (the "Custodian"), among others, providing for, among other things, the issuance of Certificates and governing the rights of Certificate holders.

14. The Securitization Agreements in respect of the Issued Certificates provide, and each Securitization Agreement in respect of future series of Certificates will provide, for the fulfillment of certain administrative functions relating to such Certificates, such as maintaining a register of Certificate holders and the preparation by the Servicer and the Reporting Agent of periodic reports (the "Reports") to Certificate holders containing financial and other information in respect of the Custodial Property.

15. The Filer or its duly appointed representative or agent provides or will provide, on a website identified or to be identified in the relevant short form prospectus of the Filer to which all Certificate holders will be afforded access (the "Reporting Website") and otherwise as provided for in the relevant prospectus, no later than the 20th day of each month (or such subsequent business day as provided in the Securitization Agreement if the 20th day of the month is not a business day) the financial and other information prescribed therein to be delivered or made available to Certificate holders on a monthly basis, signed by the Filer or on its behalf by its duly appointed representative, and, in accordance with the Previous Decision, will also file or cause to be reasonably contemporaneously therewith the monthly reports commonly known as distribution date statements or their equivalent on the System for Electronic Document Analysis and Retrieval ("SEDAR").

16. No material information will be disclosed on the Reporting Website unless it is also filed contemporaneously via SEDAR with the Decision Makers for posting on www.sedar.com.

17. In accordance with the Previous Decision, within 60 days of the end of each interim period of the Filer (or such lesser period as may be required under applicable laws), the Filer or its duly appointed representative or agent will post on the Reporting Website and file through SEDAR, and mail to Certificate holders who so request, interim management discussion and analysis with respect to the applicable Custodial Property pools acquired with the proceeds of the Certificates.

18. In accordance with the Previous Decision, within 140 days of the end of each financial year of the Filer, the Filer or its duly appointed representative or agent will post on the Reporting Website and also file or cause to be filed reasonably contemporaneously therewith through SEDAR:

    (e) annual management discussion and analysis with respect to the applicable Custodial Property pools acquired with the proceeds of the Certificates;

    (f) an annual statement of compliance signed by a senior officer of each applicable Servicer, or other party acting in a similar capacity on behalf of the Filer for the applicable Custodial Property pool, certifying that the Servicer or such other party acting in a similar capacity has fulfilled all of its obligations under the related Securitization Agreement during the year, or, if there has been a default in the fulfillment of any obligation, specifying each such default and the status thereof; and

    (g) for each Custodial Property pool, an annual accountant's report in form and content acceptable to the Previous Decision Makers prepared by a firm of independent public or chartered accountants acceptable to the Previous Decision Makers respecting compliance by each applicable Servicer, or such other party acting in a similar capacity on behalf of the Filer with the Uniform Single Attestation Program for Mortgage Bankers published by the Mortgage Bankers Association of America or such other servicing standard as may be acceptable to the Previous Decision Makers.

Decision

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 Requested Relief is granted provided that:

(a) the Filer is not required to prepare, file and deliver Financial Statements under the Legislation, whether pursuant to exemptive relief or otherwise;

(b) for each financial year of the Filer, within 140 days of the end of the financial year, the Filer or its duly appointed representative or agent will file through SEDAR an annual certificate in the form set out in Schedule "A" of this MRRS decision document and personally signed by a person who, at the time of filing of the annual certificate, is a senior officer of the Filer, a Servicer or an administrative agent of the Filer;

(c) if the Filer voluntarily files an AIF for a financial year after it has filed the annual certificate referred to in paragraph (b) above for the financial year, the Filer will file through SEDAR a second annual certificate that:

   (i) is in the form set out in Schedule "A" of this MRRS decision document;

   (ii) is personally signed by a person who, at the time of filing of the second annual certificate, is a senior officer of the same person or company of which the senior officer who signed the annual certificate referred to in paragraph (b) is an officer; and

   (iii) certifies the AIF in addition to the other documents identified in the annual certificate;

(d) for each interim period, within 60 days of the end of the interim period of the Filer (or such lesser period as may be required under applicable laws), the Filer or its duly appointed representative or agent will file through SEDAR an interim certificate in the form set out in Schedule "B" of this MRRS decision document and personally signed by a person who, at the time of filing of the interim certificate, is a senior officer of the Filer, a Servicer or an administrative agent of the Filer; and

(e) the Requested Relief will cease to be effective in a Jurisdiction on the earlier of:

   (i) June 1, 2008; and

   (ii) the date on which a rule regarding the continuous disclosure requirements for issuers of asset-backed securities comes into force in a Jurisdiction.

"Charlie MacCready"
Assistant Manager, Corporate Finance
Ontario Securities Commission

SCHEDULE "A"

Certification of annual filings for issuers of asset-backed securities

I, ***<identify (i) the certifying individual, (ii) his or her position in relation to the issuer and (iii) the name of the issuer>***, certify that:

1. I have reviewed the following documents of ***<identify issuer>*** (the issuer):

   (a) the servicer reports for each month in the financial year ended ***<insert financial year end>*** (the servicer reports);

   (b) annual MD&A in respect of the issuer's pool(s) of assets for the financial year ended ***<insert the relevant date>*** (the annual MD&A);

   (c) AIF for the financial year ended ***<insert the relevant date>*** (the AIF); [if applicable] and

   (d) each annual statement of compliance regarding fulfillment of the obligations of the servicer(s) under the related servicing agreement(s) for the financial year ended ***<insert the relevant date>*** (the annual compliance certificate(s)),

   (the servicer reports, the annual MD&A, the AIF [if applicable] and the annual compliance certificate(s) are together the annual filings);

2. Based on my knowledge, the annual filings, taken as a whole, do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make the statements not misleading in light of the circumstances under which they were made, with respect to the periods covered by the annual filings;

3. Based on my knowledge, all of the distribution, servicing and other information and all of the reports on assessment of compliance with servicing criteria for asset-backed securities and the annual accountant's report respecting compliance by the servicer(s) with servicing criteria for asset-backed securities required to be filed under the decision(s) ***<identify the decision(s)>*** as of the date of this certificate, other than material change reports and press releases, have been filed with the securities regulatory authorities through SEDAR;

4. **Option #1** ***<use this alternative if a servicer is providing the certificate>***

   I am responsible for reviewing the activities performed by the servicer(s) and based on my knowledge and the compliance review(s) conducted in preparing the annual compliance certificate(s), and except as disclosed in the annual filings, the servicer(s) [has/have] fulfilled [its/their] obligations under the servicing agreement(s); and

   Option #2 ***<use this alternative if the Issuer or the administrative agent is providing the certificate>***

   Based on my knowledge and the annual compliance certificate(s), and except as disclosed in the annual filings, the servicer(s) [has/have] fulfilled [its/their] obligations under the servicing agreement(s); and

5. The annual filings disclose all material instances of noncompliance with the servicing criteria based on the [servicer's/servicers'] assessment of compliance with such criteria.

[In giving the certifications above, I have reasonably relied on information provided to me by the following unaffiliated parties ***<insert name of issuer, servicer, sub-servicer, co-servicer, administrative agent, reporting agent or trustee >***.]

Date: ***<insert date of filing>***

____
[Signature]

[Title]
< indicate the capacity in which the certifying officer is providing the certificate >

SCHEDULE "B"

Certification of interim filings for issuers of asset-backed securities

I, ***<identify (i) the certifying individual, (ii) his or her position in relation to the issuer and (iii) the name of the issuer>***, certify that:

1. I have reviewed the following documents of <***identify issuer>*** (the issuer):

   (a) the servicer reports for each month in the interim period ended ***<insert relevant date>*** (the servicer reports); and

   (b) interim MD&A in respect of the issuer's pool(s) of assets for the interim period ended ***<insert the relevant date>*** (the interim MD&A),

   (the servicer reports and the interim MD&A are together the interim filings);

2. Based on my knowledge, the interim filings, taken as a whole, do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make the statements not misleading in light of the circumstances under which they were made, with respect to the periods covered by the interim filings; and

3. Based on my knowledge, all of the distribution, servicing and other information required to be filed under the decision(s) ***<identify the decision(s)>*** as of the date of this certificate, other than material change reports and press releases, have been filed with the securities regulatory authorities through SEDAR.

[In giving the certifications above, I have reasonably relied on information provided to me by the following unaffiliated parties ***<insert name of issuer, servicer, sub-servicer, co-servicer, administrative agent, reporting agent or trustee >***.]

Date: ***<insert date of filing>***

____

[Signature]

[Title]

< indicate the capacity in which the certifying officer is providing the certificate >

2.1.10 BMO Special Equity Fund - MRRS Decision

Headnote

Standard exemption from subsection 4.1(1) of National Instrument 81-102 Mutual Funds (NI 81-102) to enable the Dealer Managed Fund, as defined in section 1.1 of NI 81-102, to invest in the shares of an issuer during the 60 days after the period in which an affiliate of the Dealer Manager, as defined in section 1.1 of NI 81-102, has acted as an underwriter in connection with a private placement offering of subscription receipts of the issuer, representing the right to receive that class of shares.

Rule Cited

National Instrument 81-102 Mutual Funds, ss. 4.1(1), 19.1.

July 12, 2005

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

AND

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

AND

**IN THE MATTER OF
BMO SPECIAL EQUITY FUND
(the "Fund" or "Dealer Managed Fund")**

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the "**Decision Maker**") in each of the Jurisdictions has received an application from Jones Heward Investment Counsel Inc. (the "**Applicant**" or "**Dealer Manager**"), the portfolio adviser of the Fund for a decision under section 19.1 of National Instrument 81-102 *Mutual Funds* ("**NI 81-102**") (the "**Legislation**") for

- an exemption from subsection 4.1(1) of NI 81-102 to enable the Dealer Managed Fund to invest in the outstanding common shares (the "**Shares**") of Mega Bloks Inc. (the "**Issuer**") on the Toronto Stock Exchange during the 60-days (the "**Prohibition Period**") after the period in which an affiliate of the Dealer Manager has acted as an underwriter in connection with a private placement offering (the "**Offering**") of subscription receipts

(the "**Subscription Receipts**") of the Issuer which each represent the right to receive one Share (the Requested Relief).

Under the Mutual Reliance Review System for Exemptive Relief Applications

(a) the Ontario Securities Commission is the principal regulator for this application, and

(b) this MRRS decision document evidences the decision of each Decision Maker.

It is the responsibility of each of the Decision Makers to make a global assessment of the risks involved in granting exemptive relief from subsection 4.1 of NI 81-102 in relation to the specific facts of each application.

Interpretation

Defined terms contained in National Instrument 14-101 *Definitions* have the same meaning in this decision unless they are defined in this decision.

Representations

This decision is based on the following facts represented by the Applicant:

1. The Applicant is a "dealer manager" with respect to the Fund, and the Fund is a "dealer managed fund", as such terms are defined in section 1.1 of NI 81-102.

2. The head office of the Dealer Manager is in Toronto, Ontario.

3. The investment objective of the Dealer Managed Fund permits it to invest in equity securities.

4. The securities of the Dealer Managed Fund are qualified for distribution in all of the provinces and territories of Canada pursuant to a simplified prospectus and annual information form that has been prepared and filed in accordance with applicable securities legislation.

5. The Subscription Receipts are being offered in Canada, and in the U.S. to accredited investors under Section 4(2) of the Securities Act of 1933, as amended, pursuant to a private placement term sheet (the "**Term Sheet**").

6. According to the Term Sheet the Offering is expected to be for approximately 3.1 million Subscription Receipts with the gross proceeds of the Offering expected to be approximately $68,975,000. Currently, the closing (the "**Closing**") of the Offering is expected to occur on or about July 11, 2005.

7. Each of the Subscription Receipts represents the right to receive one Share of the Issuer upon the Acquisition Closing (as defined below) for no additional consideration.

8. The co-lead Underwriters of the Offering are BMO Nesbitt Burns Inc. (the "**Related Underwriter**", and together with the rest of the syndicate, the "**Underwriters**") and Scotia Capital Inc. with the rest of the syndicate comprised of Canaccord Capital Corporation and National Bank Financial.

9. On June 15, 2005, the Issuer announced that it had entered into a definitive agreement to acquire (the "**Acquisition**") Rose Art Industries Inc., Warner Industries Inc. and their respective subsidiaries (collectively the "**Rose Art Group**"). Under the terms of the Acquisition, the Issuer will acquire all of the issued and outstanding shares of the Rose Art Group entities and assume $35 million of outstanding debt from the Rose Art Group for a total purchase price of approximately $350 million. The consideration for the purchase price will include Shares of the Issuer and cash payable on the Acquisition Closing as well as certain future payments contingent on the performance of the Rose Art Group.

10. Based on the information provided in the Term Sheet, the gross proceeds of the Offering, less half of the commission payable to the agents for services rendered, will be held in escrow and invested in short-term obligations of the Government of Canada or in other short term investment grade obligations until the earlier of the Acquisition closing (the "**Acquisition Closing**") and the Termination Date (as defined below). Upon the Acquisition Closing, the net proceeds of the Offering will be used to partially finance the Acquisition.

11. The Term Sheet states that if the Acquisition Closing does not occur on or before 5:00 p.m. (Montreal time) on September 30, 2005 or the Acquisition is terminated at any earlier time (in either case, the "**Termination Date**"), holders of the Subscription Receipts will receive a refund of the full purchase price of the Subscription Receipts, together with their pro rata portion of interest earned thereon between the Closing and the Termination Date.

12. The Issuer's outstanding Shares are listed on the Toronto Stock Exchange under the symbol "MB".

13. There is no indication in the Term Sheet that the Subscription Receipts will be listed.

14. The Term Sheet does not provide any disclosure with respect to the "connected issuer"/ "related issuer" provisions in National Instrument 33-105 – "Underwriting Conflicts". The press release relating to the Acquisition states that the Bank of Nova Scotia and Bank of Montreal, an affiliate of the Related Underwriter, provided and arranged

credit facilities for the Acquisition and for working capital purposes and that the purpose of the Offering will be to reduce these facilities.

15. The Dealer Managed Fund is not required or obliged to purchase any Shares during the Prohibition Period.

16. Despite the affiliation between the Dealer Manager and the Related Underwriter, they operate independently of each other. In particular, the investment banking and related dealer activities of the Related Underwriter and the investment portfolio management activities of the Dealer Manager are separated by "ethical" walls. Accordingly, no information flows from one to the other concerning their respective business operations or activities generally except in the following or similar circumstances:

    (a) in respect of compliance matters (for example, the Dealer Manager and the Related Underwriter may communicate to enable the Dealer Manager to maintain an up to date restricted-issuer list to ensure that the Dealer Manager complies with applicable securities laws); and

    (b) the Dealer Manager and the Related Underwriter may share general market information such as discussion on general economic conditions, bank rates, etc.

17. The Dealer Manager may cause the Dealer Managed Fund to invest in Shares during the Prohibition Period. Any purchase of Shares will be consistent with the investment objectives of the Dealer Managed Fund and represent the business judgment of the Dealer Manager uninfluenced by considerations other than the best interests of the Dealer Managed Fund, or in fact be in the best interests of the Dealer Managed Fund.

18. To the extent that the same portfolio manager or team of portfolio managers of a Dealer Manager manages the Dealer Managed Fund and other client accounts that are managed on a discretionary basis (the "**Managed Accounts**") the Shares purchased for them will be allocated:

    (a) in accordance with the allocation factors or criteria stated in the written policies or procedures put in place by the Dealer Manager for the Dealer Managed Fund and the Managed Accounts, and

    (b) taking into account the amount of cash available to the Dealer Managed Fund for investment.

19. There will be an independent committee (the "**Independent Committee**") appointed in respect of the Dealer Managed Fund to review the Dealer Managed Fund's investments in Shares during the Prohibition Period.

20. The Independent Committee will have at least three members and every member must be independent. A member of the Independent Committee is not independent if the member has a direct or indirect material relationship with the Dealer Manager, the Dealer Managed Fund, or any affiliate or associate thereof. For the purpose of this Decision, a material relationship means a relationship which could, in the view of a reasonable person, reasonably interfere with the exercise of the member's independent judgement regarding conflicts of interest facing the Dealer Manager.

21. The members of the Independent Committee will exercise their powers and discharge their duties honestly, in good faith, and in the best interests of investors in the Dealer Managed Fund and, in so doing, exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

22. The Applicant will notify a member of staff in the Investment Funds Branch of the Decision Maker in Ontario, in writing of any SEDAR Report (as defined in paragraph 0 below) filed on SEDAR, as soon as practicable after the filing of such report, and the notice shall include the SEDAR project number of the SEDAR Report and the date on which it was filed.

Decision

Each of the Decision Makers has assessed the conflict of interest risks associated with granting an exemption in this instance from subsection 4.1(1) of NI 81-102 and is satisfied that, at the time this Decision is granted, the potential risks are sufficiently mitigated.

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 Requested Relief is granted provided that:

I. At the time of each purchase of Shares (a "**Purchase**") by the Dealer Managed Fund pursuant to this Decision, the following conditions are satisfied:

    (a) the Purchase

        (i) represents the business judgement of the Dealer Manager uninfluenced by considerations other than the best interests of the Dealer Managed Fund, or

(ii) is, in fact, in the best interests of the Dealer Managed Fund;

(b) the Purchase is consistent with, or is necessary to meet, the investment objective of the Dealer Managed Fund as disclosed in its simplified prospectus; and

(c) the Dealer Managed Fund does not place the order to purchase, on a principal or agency basis, with its Related Underwriter;

II. Prior to effecting any Purchase pursuant to this Decision, the Dealer Managed Fund has in place written policies or procedures to ensure that,

(a) there is compliance with the conditions of this Decision; and

(b) in connection with any Purchase,

(i) there are stated factors or criteria for allocating the Shares purchased for the Dealer Managed Fund and one or more other Managed Accounts, and

(ii) there is full documentation of the reasons for any allocation to the Dealer Managed Fund or the Managed Account that departs from the stated allocation factors or criteria;

III. The Dealer Managed Fund has an Independent Committee to review the Dealer Managed Fund's investments in the Shares during the Prohibition Period;

IV. The Independent Committee has a written mandate describing its duties and standard of care which, as a minimum, sets out the conditions of this Decision;

V. The members of the Independent Committee exercise their powers and discharge their duties honestly, in good faith, and in the best interests of investors in the Dealer Managed Fund and, in so doing, exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances;

VI. The Dealer Managed Fund does not relieve the members of the Independent Committee from liability for loss that arises out of a failure to satisfy the standard of care set out in paragraph 0 above;

VII. The Dealer Managed Fund does not incur the cost of any portion of liability insurance that insures a member of the Independent Committee for a liability for loss that arises out of a failure to satisfy the standard of care set out in paragraph 0 above;

VIII. The cost of any indemnification or insurance coverage paid for by the Dealer Manager, any portfolio manager of the Dealer Managed Fund, or any associate or affiliate of the Dealer Manager or any portfolio manager of the Dealer Managed Fund to indemnify or insure the members of the Independent Committee in respect of a loss that arises out of a failure to satisfy the standard of care set out in paragraph 0 above is not paid either directly or indirectly by the Dealer Managed Fund;

IX. The Dealer Manager files a certified report on SEDAR (the "**SEDAR Report**") in respect of the Dealer Managed Fund, no later than 30 days after the end of the Prohibition Period, that contains a certification by the Dealer Manager that contains:

(a) the following particulars of each Purchase:

(i) the number of Shares purchased by the Dealer Managed Fund;

(ii) the date of the Purchase and purchase price;

(iii) whether it is known whether any underwriter or syndicate member has engaged in market stabilization activities in respect of the Shares;

(iv) if the Shares were purchased for the Dealer Managed Fund and one or more Managed Accounts of the Dealer Manager, the aggregate amount so purchased and the percentage of such aggregate amount that was allocated to the Dealer Managed Fund; and

(v) the dealer from whom the Dealer Managed Fund purchased the Shares and the fees or commissions, if any, paid by the Dealer Managed Fund in respect of such Purchase;

(b) a certification by the Dealer Manager that the Purchase:

(i) was made free from any influence by the Related Underwriter or any affiliate or associate thereof and without taking into account any consideration relevant to the Related Underwriter or any associate or affiliate thereof; and

(ii) represented the business judgment of the Dealer Manager uninfluenced by considerations other than the best interest of the Dealer Managed Fund, or

(iii) was, in fact, in the best interests of the Dealer Managed Fund;

(c) confirmation of the existence of the Independent Committee to review the Purchases by the Dealer Managed Fund, the names of the members of the Independent Committee, the fact that they meet the independence requirements set forth in this Decision, and whether and how they were compensated for their review;

(d) a certification by each member of the Independent Committee that after reasonable inquiry the member formed the opinion that the policies and procedures referred to in Condition II(a) above are adequate and effective to ensure compliance with this Decision and that the decision to Purchase made on behalf of the Dealer Managed Fund and each Purchase by the Dealer Managed Fund:

(i) was made in compliance with the conditions of this Decision;

(ii) was made by the Dealer Manager free from any influence by the Related Underwriter or any affiliate or associate thereof and without taking into account any consideration relevant to the Related Underwriter or any associate or affiliate thereof; and

(iii) represented the business judgment of the Dealer Manager uninfluenced by considerations other than the best interests of the Dealer Managed Fund, or

(iv) was, in fact, in the best interests of the Dealer Managed Fund.

X. The Independent Committee advises the Decision Makers in writing of:

(a) any determination by it that the condition set out in paragraph 0 has not been satisfied with respect to any Purchase;

(b) any determination by it that any other condition of this Decision has not been satisfied;

(c) any action it has taken or proposes to take following the determinations referred to above; and

(d) any action taken, or proposed to be taken, by the Dealer Manager or a portfolio manager of the Dealer Managed Fund, in response to the determinations referred to above;

XI. Each Purchase of Shares during the 60-Day Period is made on the TSX; and

XII. An underwriter provides to the Dealer Manager written confirmation that the “dealer restricted period” in respect of the Offering, as defined in Ontario Securities Commission Rule 48-501 T*rading During Distributions, Formal Bids and Share Exchange Transactions*, has ended.

"Leslie Byberg"
Manager, Investment Funds Branch

2.1.11 Creo Inc. - s. 83

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., s. 83.

July 12, 2005

Osler, Hoskin & Harcourt LLP
Box 50, 1 First Canadian Place
Toronto, ON M5X 1B8

ATTN: Jaime Larry

Dear Mr. Larry:

Re: Creo Inc. (the "Applicant") – Application to Cease to be a Reporting Issuer under the securities legislation of Alberta, Manitoba, New Brunswick, Newfoundland & Labrador, Nova Scotia, Ontario, Québec, and Saskatchewan (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.

"Erez Blumberger"
Assistant Manager, Corporate Finance
Ontario Securities Commission

2.2 Orders

2.2.1 Diapson Commodities Management S.A. - s. 80 of the CFA

Headnote

Section 80 of the Commodity Futures Act (Ontario) – relief from the adviser registration requirements of subsection 22(1)(b) of the CFA granted to a non-resident sub-adviser in respect of advising certain mutual funds, non-redeemable investment funds and similar investment vehicles established outside of Canada in respect of trades in commodity futures contracts and commodity futures options principally traded on commodity futures exchanges outside Canada and cleared through clearing corporations outside Canada, subject to certain terms and conditions.

Statutes Cited

Commodity Futures Act, R.S.O. 1990, c. C.20, as am., ss. 22(1)(b), 80.
Securities Act, R.S.O. 1990, c. S.5, as am. – Rule 35-502 – Non Resident Advisers, s. 7.10

June 30, 2005

IN THE MATTER OF
THE *COMMODITY FUTURES ACT*,
R.S.O. 1990, CHAPTER C.20, AS AMENDED (the CFA)

AND

IN THE MATTER OF
DIAPASON COMMODITIES MANAGEMENT S.A.

ORDER
(Section 80 of the CFA)

UPON the application (the **Application**) of Diapason Commodities Management S.A. (the **Applicant**) to the Ontario Securities Commission (the **Commission**) for an order, pursuant to section 80 of the CFA, that neither the Applicant, nor any of its directors, officers and employees acting on its behalf as an adviser, shall be subject to the requirements of paragraph 22(1)(b) of the CFA in respect of advising in Ontario with respect to purchases and sales of commodity futures contracts and related products traded on commodity futures exchanges primarily outside Canada and cleared through clearing corporations primarily outside Canada;

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

AND UPON the Applicant having represented to the Commission that:

1. The Applicant is an investment management company organized under the laws of Switzerland, with its principal place of business located in Lausanne, Switzerland. The Applicant specializes in the fields of asset management, commodities markets, futures and option trading.

2. The Applicant is registered as a commodities trading adviser with the United States Commodity Futures Trading Commission (**CFTC**). The Applicant is not registered or licensed in any capacity in Switzerland as the laws of Switzerland do not require registration or licensing from any regulatory body in order to be able to provide advice or portfolio management services in connection with commodity futures.

3. Sentry Select Capital Corp. (**Sentry Select**) is a corporation incorporated under the laws of Ontario. It is registered with the Commission as an adviser in the categories of investment counsel and portfolio manager and has an application pending for registration under the CFA as an adviser in the category of commodity trading manager. Sentry Select will act as trustee and manager of Commodities Investment Trust (the **Trust**), an investment trust to be established under the laws of the Province of Ontario pursuant to a declaration of trust, and will also act as manager and trustee of the investment fund, Sentry Select Commodities Income Trust (**SSCIT**).

4. Toron Capital Markets Inc. (the **Interim Adviser**) is a corporation organized under the laws of Ontario and is registered in Ontario as an adviser in the category of investment counsel and portfolio manager, as a dealer in the category of limited market dealer, and under the CFA as an adviser in the category of commodity trading manager.

5. The Applicant is proposing to enter into an investment sub-advisory agreement with Sentry Select whereby the Applicant would be appointed as the sub-adviser in respect of purchases and sales of commodity futures contracts and related products.

6. A preliminary prospectus has been filed with the Commission on behalf of SSCIT. Approximately 15% of the net proceeds of the offering of units of SSCIT will be used to purchase common shares of Canadian public companies (the **Common Share Portfolio**). SSCIT will enter into one or more forward purchase and sale agreements (the **Forward Agreement**) with Canadian Imperial Bank of Commerce (the **Counterparty**). Under the Forward Agreement the Counterparty will agree to pay to SSCIT on its termination date the purchase price for the Common Share Portfolio, an amount based upon the redemption proceeds of a specified number of units of the Trust.

7. It is expected that the Sentry Select will also appoint the Applicant as sub-adviser for other investment portfolios (**Other Clients**) which Sentry Select manages.

8. In acting as sub-adviser to Sentry Select with respect to the Trust and Other Clients (the **Proposed Advisory Services**), Sentry Select and the Applicant, will enter into written sub-advisory agreements which will set out the obligations and duties of the Applicant.

9. The Applicant will provide the Proposed Advisory Services only if Sentry Select has contractually agreed with the Trust, or the Other Client, to be responsible for any loss arising out of the failure of the Applicant to:

   (a) exercise its powers and discharge its duties honestly, in good faith and in the best interests of Sentry Select and the Trust, or Other Clients, as the case may be; or

   (b) exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances,

   (collectively the **Standard of Care**);

   and Sentry Select cannot be relieved by the Trust or Other Client from its responsibility for such loss.

10. As there will be no offering documents for the Trust, the prospectus for the SSCIT, and the offering documents for any other product for which the Proposed Advisory Services are applicable, will disclose that:

    (a) Sentry Select assumes responsibility for the investment advice or portfolio management services provided by the Applicant; and

    (b) to the extent applicable, there may be difficulty in enforcing any legal rights against the Applicant because it is resident outside Canada and all or a substantial portion of its assets are situated outside Canada.

11. The Applicant will provide the Proposed Advisory Services only while Sentry Select is registered as a commodity trading manager under the CFA.

12. Until such time as Sentry Select is granted registration as an adviser under the CFA, the Interim Adviser may be required to act as the investment adviser to the Trust, and will appoint the Applicant as its sub-adviser and will assume all responsibilities of Sentry Select under this Order.

AND UPON being satisfied that it would not be prejudicial to the public interest for the Commission to grant the exemption requested on the basis of the terms and conditions proposed,

IT IS ORDERED pursuant to section 80 of the CFA that, for a period of three years, the Applicant and its directors, officers and employees are not subject to the requirements of paragraph 22(1)(b) of the CFA with respect to the Proposed Advisory Services, provided that:

(a) the obligations and duties of the Applicant are set out in a written agreement with Sentry Select, or the Interim Adviser, as the case may be;

(b) Sentry Select has contractually agreed with the Trust or Other Client, as the case may be, to be responsible for any loss that arises out of the failure of the Applicant to meet the Standard of Care, and Sentry Select may not be relieved by the Trust or Other Client from its responsibility for such loss;

(c) the Applicant will provide the Proposed Advisory Services only where the prospectus for SSCIT, and the offering documents for any other product for which the Proposed Advisory Services are applicable, shall disclose that Sentry Select is responsible for any loss that arises out of the failure of the Applicant to meet the Standard of Care, and that:

   (i) Sentry Select will be responsible for any investment advice given or portfolio management services provided by the Applicant; and

   (ii) there may be difficulty in enforcing any legal rights against the Applicant because it is resident outside Canada and all or a substantial portion of its assets are situated outside Canada;

(d) the Applicant maintains its registration as a commodities trading adviser with the CFTC; and

(e) the Applicant will provide the Proposed Advisory Services only so long as Sentry Select, or the Interim Adviser, as the case may be, maintains its registration as a commodity trading manager under the CFA.

"Wendell S. Wigle"

"Suresh Thakrar"

2.2.2 Legent Clearing LLC - s. 211 of Regulation 1015

Headnote

Application in connection with application for registration as an international dealer, for an order pursuant to section 211 of the Regulation exempting the applicant from the requirement in subsection 208(2) of the Regulation that it carry on the business of an underwriter in a country other than Canada to be able to register in Ontario as an international dealer.

Statutes Cited

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

Regulations Cited

Regulation made under the Securities Act, R.R.O., Reg. 1015, as am., ss. 100(3), 208(2), 211.

June 30, 2005

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

AND

IN THE MATTER OF
ONTARIO REGULATION 1015, R.R.O. 1990,
AS AMENDED (the REGULATION)

AND

IN THE MATTER OF
LEGENT CLEARING LLC

ORDER
(Section 211 of the Regulation)

UPON the application (the **Application**) of Legent Clearing LLC (the **Applicant**) to the Ontario Securities Commission for an order, pursuant to section 211 of the Regulation, exempting the Applicant from the requirement in subsection 208(2) of the Regulation that the Applicant carry on the business of an underwriter in a country other than Canada in order for the Applicant to be registered under the Act as a dealer in the category of international dealer;

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

AND UPON the Applicant having represented to the Commission that:

1. The Applicant has filed an application for registration as a dealer under the Act, in the category of international dealer, in accordance with section 208 of the Regulation. The Applicant is not presently registered in any capacity under the Act.

2. The Applicant is a limited liability company formed under the laws of the State of Delaware in the United States and its principal place of business is located in Omaha, Nebraska.

3. The Applicant is a member of the U.S. National Association of Securities Dealers, the Chicago Stock Exchange, the International Securities Exchange and the Pacific Exchange.

4. The Applicant's principal business is confined primarily to providing securities clearing, execution, and settlement to broker-dealers, banks and other financial institutions.

5. The Applicant does not currently act as an underwriter in the U.S. or in any other jurisdiction outside of the U.S.

6. In the absence of the relief requested in this Application, the Applicant would not meet the requirements of the Regulation for registration as a dealer in the category of international dealer as it does not carry on the business of an underwriter in a country other than Canada.

7. The Applicant does not now act as an underwriter in Ontario and will not act as an underwriter in Ontario if it is registered under the Act as an international dealer, despite the fact that subsection 100(3) of the Regulation provides that an international dealer is deemed to have been granted registration as an underwriter for the purposes of a distribution which it is permitted to make.

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

IT IS ORDERED, pursuant to section 211 of the Regulation, that, in connection with the registration of the Applicant as a dealer under the Act in the category of international dealer, the Applicant is exempt from the provisions of subsection 208(2) of the Regulation requiring that the Applicant carry on the business of an underwriter in a country other than Canada, provided that, so long as the Applicant is registered under the Act as an international dealer:

(a) the Applicant carries on the business of a dealer in a country other than Canada; and

(b) notwithstanding subsection 100(3) of the Regulation, the Applicant shall not act as an underwriter in Ontario.

"Wendall S. Wigle"

"Suresh Thakrar"

2.2.3 Calyon Financial Inc. - s. 7.1 of MI 33-109

Headnote

Application pursuant to section 7.1 of MI 33-109 that the Applicant be relieved from the Form 33-109 requirements in respect of certain of its nominal officers. The exempted officers are without significant authority over any part of the applicant's operations and have no connection with its Ontario operation. The applicant is still required to submit 33-109 F4's on behalf of its directing minds, who are the directors and certain "Executive Officers", and officers involved in the Ontario business activities.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., s. 147.

Regulations Cited

Regulation made under the Securities act, R.R.O., Reg. 1015, as am., ss. 116, 117, 118.

Rules Cited

Multilateral Instrument 33-109 – Registration Information.

June 17, 2005

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

AND

IN THE MATTER OF
CALYON FINANCIAL INC.

ORDER
(Section 7.1 of Multilateral Instrument 33-109)

UPON the application (the **Application**) of Calyon Financial Inc. (the **Applicant**) pursuant to section 7.1 of Multilateral Instrument 33-109 *Registration Information* (**MI 33-109**) for an exemption from the requirement in subsection 2.1(c) and section 3.3 of MI 33-109 that the Applicant submit a completed Form 33-109F4 for all Non-Registered Individuals of the Applicant in connection with the Applicant's registration as a dealer in the category of limited market dealer (**LMD**);

AND UPON considering the Application;

AND UPON the Applicant having represented to the Director that:

1. The Applicant is a corporation organized under the laws of the State of Delaware. The Applicant's principal place of business is in Chicago, Illinois.

2. The Applicant is currently registered in Ontario as a dealer in the category of international dealer. The Applicant has applied to the Commission for registration as a non-resident LMD.

3. The Applicant is a global brokerage firm providing institutional clients with access to financial and commodity markets around the world. The Applicant has approximately four hundred (400) employees. The Applicant has four (4) directors and approximately one hundred and nine (109) officers.

4. All individuals who intend to trade in securities in Ontario on behalf of the Applicant will register as Registered Individuals in accordance with the registration requirement under section 25(1) of the Act and the requirements of MI 33-102 – *National Registration Database* (**MI 33-102**), by submitting a Form 33-109F4 completed with all the information required for a Registered Individual. It is currently anticipated that of the Applicant's approximately 109 officers, no more than four (4) will be involved in the Applicants trading activity in Ontario and will therefore seek registration as Registered Individuals.

5. The Applicants remaining directors and officers will be Non-Registered Individuals, as defined in MI 33-109. Of the Applicants Non-Registered Individuals many would not reasonably be considered to be directors or officers from a functional point of view. These individuals (the **Nominal Officers**) have the title of "vice president", or a similar title, but are not in charge of a business unit, division or function of the Applicant and, in any event, will not be involved in or have oversight of the Applicant's dealer activities in Ontario. For purposes of reporting to securities regulatory authorities the Applicant considers only the holders of its most senior executive positions to be officers (the **Executive Officers**).

6. The Applicant seeks relief from the requirement to submit Form 33-109F4s for the Nominal Officers. The Applicant proposes to submit Form 33-109F4s on behalf of each of its directors and the Executive Officers completed with all the information required for a Non-Registered Individual. The Applicant also proposes to submit a Form 33-109F4 for the designated compliance officer under the Applicant's proposed Non-Resident LMD registration (the **Compliance Officer**). The Compliance Officer will monitor and supervise the Ontario trading activities of the Applicant with respect to compliance with Ontario securities laws and any conditions of the Applicant's registration as a limited market dealer in Ontario.

7. In the absence of the requested exemption, subsection 2.1(c) of MI 33-109 would require that in conjunction with its LMD registration, the Applicant submit a completed Form 33-109F4 for

each of its Non-Registered Individuals which would include its Nominal Officers and any new Nominal Officers, rather than limiting this filing requirement to the much smaller number of directors, the Executive Officers and the Compliance Officer. The information contained in the filed Form 33-109F4 would also need to be monitored on a constant basis to ensure that notices of change were submitted in accordance with the requirements of section 5.1 of MI 33-109.

8. Given the limited scope of the Applicant's proposed activities in Ontario and the number of Nominal Officers, none of whom will have any involvement in the Applicant's Ontario activities, the preparation and filing of Form 33-109F4s on behalf of each Nominal Officer would achieve no regulatory purpose, while imposing an unwarranted administrative and compliance burden on the Applicant.

AND WHEREAS the Director is satisfied that it would not be prejudicial to the public interest to make the requested Order on the basis of the terms and conditions proposed;

IT IS ORDERED, pursuant to section 7.1 of MI 33-109, that the Applicant is exempt from the requirement in subsection 2.1(c) of MI 33-109 and section 3.3 of MI 33-109 to submit a completed Form 33-109F4 for each of its Non-Registered Individuals who are Nominal Officers not involved in its Ontario business provided that the Nominal officers shall at no time include any director, Executive Officer or Compliance Officer or other officer who will be involved in, or have oversight of, the Applicants activities in Ontario in any capacity.

"David M. Gilkes"

2.2.4 Canyon Capital Advisors LLC - s. 80 of the CFA

Headnote

Section 80 of the Commodity Futures Act (Ontario) – relief from the adviser registration requirements of subsection 22(1)(b) of the CFA granted to a non-resident adviser in respect of advising certain mutual funds, non-redeemable investment funds and similar investment vehicles established outside of Canada in respect of trades in commodity futures contracts and commodity futures options principally traded on commodity futures exchanges outside Canada and cleared through clearing corporations outside Canada, subject to certain terms and conditions.

Statutes Cited

Commodity Futures Act, R.S.O. 1990, c. C.20, as am., ss. 22(1)(b), 80.
Securities Act, R.S.O. 1990, c. S.5, as am. – Rule 35-502 – Non Resident Advisers, s. 7.10

IN THE MATTER OF
THE COMMODITY FUTURES ACT,
R.S.O. 1990, CHAPTER C.20, AS AMENDED (THE CFA)

AND

IN THE MATTER OF
CANYON CAPITAL ADVISORS LLC

ORDER
(Section 80 of the CFA)

UPON the application (the **Application**) of Canyon Capital Advisors LLC (the **Applicant**) to the Ontario Securities Commission (the **Commission** or the **OSC**) for an order pursuant to section 80 of the CFA that the Applicant and its directors, officers, partners, members and employees acting on their behalf as an adviser (collectively, the **Representatives**), be exempt, for a period of three years, from the registration requirements of section 22(1)(b) of the CFA in respect of advising certain mutual funds and non-redeemable investment funds and similar investment vehicles established outside of Canada in respect of trades in commodity futures contracts and commodity futures options principally traded on commodity futures exchanges outside of Canada and cleared through clearing corporations outside of Canada;

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

AND UPON the Applicant having represented to the Commission that:

1. The Applicant is a limited liability company organized under the laws of the State of Delaware in the United States of America. The Applicant may also include affiliates of, or entities organized by, the Applicant which may subsequently execute and submit to the Commission a verification

certificate confirming the truth and accuracy of the information set out in this Application with respect to that particular Applicant.

2. The Applicant serves as investment advisor for The Canyon Value Realization Fund (Cayman), Ltd., Canyon Capital Arbitrage Fund (Cayman), Ltd., Canyon Balanced Equity Fund (Cayman), Ltd., The Canyon Value Realization Fund, L.P., Canyon Capital Arbitrage Fund, L. P. and Canyon Balanced Equity Fund L.P. (collectively, the **Canyon Funds**) and may, in the future, provide advice to certain other mutual funds, non-redeemable investment funds and similar investment vehicles (collectively, along with the Canyon Funds, the **Funds**) which are or may be established outside of Canada in respect of trades in commodity futures contracts and commodity futures options traded on commodity futures exchanges located primarily outside of Canada and cleared through clearing corporations located primarily outside of Canada.

3. The Applicant is currently registered as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended, and is currently exempt from registration with the U.S. Commodity Futures Trading Commission and is not subject to the rules of the U.S. National Futures Association.

4. The Applicant is, or in the future may be, the investment advisor for the Funds. As the investment advisor for the Funds, the Applicant is or will be responsible for providing certain administrative services, investment advice and other investment management services to the Funds.

5. The Funds advised by the Applicant will be established outside of Canada. Securities of the Funds will be primarily offered outside of Canada to institutional investors and high net worth investors. Securities of the Funds will be offered only to a small number of Ontario residents who qualify as an “accredited investor” under OSC Rule 45-501 - *Exempt Distributions* and will be distributed in Ontario through one or more registrants (as defined under the *Securities Act* (Ontario) (the **OSA**)) in reliance upon an exemption from the prospectus requirements of the OSA and in reliance on an exemption from the adviser registration requirement of the OSA under section 7.10 of OSC Rule 35-502 - *Non-Resident Advisers* (**Rule 35-502**).

6. The Applicant and the Representatives, where required, are or will be registered or licensed or are or will be entitled to rely on appropriate exemptions from such registrations or licences to provide advice to the Funds pursuant to the applicable legislation of the Applicant’s principal jurisdiction.

7. The Applicant is not registered in any capacity under the CFA or the OSA.

8. The Funds are currently, or in the future will be, issuing securities that are offered primarily outside of Canada. The Funds do not have any current intention of becoming reporting issuers in Ontario or in any other Canadian jurisdiction.

9. The Funds may, as part of its investment program, invest in commodity futures contracts and commodity futures options principally traded on commodity futures exchanges outside of Canada and cleared through clearing corporations located outside of Canada.

10. Prospective investors who are Ontario residents will receive disclosure that includes (i) a statement that there may be difficulty in enforcing legal rights against the Funds, or the Applicant advising the Funds, because such entities are resident outside of Canada and all or substantially all of their assets are situated outside of Canada; and (ii) a statement that the Applicant advising the Funds is not, or will not be, registered with or licensed by any securities regulatory authority in Canada and, accordingly, the protections available to clients of a registered adviser will not be available to purchasers of securities of the Funds.

AND UPON being satisfied that it would not be prejudicial to the public interest for the Commission to grant the exemption requested on the basis of the terms and conditions proposed;

IT IS ORDERED pursuant to section 80 of the CFA that the Applicant and the Representatives are not subject to the requirements of section 22(1)(b) of the CFA in respect of their advisory activities in connection with the Funds, for a period of three years, provided that:

(a) the Applicant, where required, is or will be registered or licensed or is or will be entitled to rely on appropriate exemptions from such registrations or licences to provide advice to the Funds pursuant to the applicable legislation of their principal jurisdiction;

(b) the Funds invest, or may in the future invest, in commodity futures contracts and commodity futures options principally traded on commodity futures exchanges outside of Canada and cleared through clearing corporations located outside of Canada;

(c) securities of the Funds are or will be offered primarily outside of Canada and securities of the Funds will only be distributed in Ontario through one or more registrants (as defined under the OSA) in reliance on an exemption from

the prospectus requirements of the OSA and upon an exemption from the adviser registration requirement of the OSA under section 7.10 of Rule 35-502;

(d) prospective investors who are Ontario residents will receive disclosure that includes (i) a statement that there may be difficulty enforcing legal rights against the Funds or the Applicant advising the Funds because they are resident outside of Canada and all or substantially all of their assets are situated outside of Canada; and (ii) a statement that the Applicant advising the Funds is not registered with or licensed by any securities regulatory authority in Canada and, accordingly, the protections available to clients of a registered adviser will not be available to purchasers of securities of the Funds; and

(e) any Applicant whose name does not specifically appear in this Order and who proposes to rely on the exemption granted under this Order, shall, as a condition to relying on such exemption, have executed and filed with the Commission a verification certificate referencing this Order and confirming the truth and accuracy of the Application with respect to that particular Applicant.

"Paul M. Moore"
Commissioner

"Harold P. Hands"
Commissioner

2.2.5 ProFund Advisors LLC - s. 80 of the CFA

Headnote

Application to the Commission for an order, pursuant to section 80 of the Commodity Futures Act (the CFA), that neither the applicant, nor any of its directors, officers or employees acting on its behalf as an adviser, shall be subject to paragraph 22(1)(b) of the CFA in respect of advice provided for the benefit of the Horizon BetaPro Funds, the principal investment adviser of which is an Ontario registrant.

Statutes Cited

Commodity Futures Act, R.S.O. 1990. c. C.20., as am., ss. 22(1)(b), 80.

June 28, 2005

IN THE MATTER OF
THE COMMODITY FUTURES ACT,
R.S.O. 1990, CHAPTER S.20, AS AMENDED (the CFA)

AND

IN THE MATTER OF
PROFUND ADVISORS LLC

ORDER
(Section 80 of the CFA)

UPON the application (the **Application**) of ProFund Advisors LLC (**ProFund**) to the Ontario Securities Commission (the **Commission**) for an order, pursuant to section 80 of the CFA, that neither ProFund, nor any of its directors, officers or employees acting on its behalf as an adviser, shall be subject to the requirements of subsection 22(1)(b) of the CFA in respect of advice to be provided by ProFund in connection with the Horizon BetaPro Funds (the **Funds**);

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

AND UPON ProFund having represented to the Commission that:

1. ProFund is a limited liability company organized under the laws of the State of Maryland, U.S. Its head office is located in Bethesda, Maryland.

2. ProFund is registered as an investment adviser with the United States Securities and Exchange Commission (the **SEC**) and is exempted from registration with the U.S. Commodities Futures Trading Commission.

3. ProFund is proposing to enter a sub-advisory investment management agreement (the **Agreement**) with Felcom Management Corp. (**Felcom**) and BetaPro Management Inc. (**BetaPro**) whereby Felcom would act as the

adviser of the Funds and BetaPro the manager of the Funds in respect of purchases and sales of commodity futures contracts and related products traded on commodity futures exchanges and cleared through clearing corporations outside of Canada, and ProFund would act as sub-adviser to Felcom (the **Proposed Advisory Services**).

4. Felcom is registered with the Commission as an adviser in the categories of investment counsel and portfolio manager and as a commodity trading manager under the CFA. Felcom has applied for registration as a limited market dealer under the *Securities Act* (Ontario) (the **Act**).

5. The Funds will be an open-ended mutual funds established under the laws of Ontario.

6. The Funds will be "mutual funds" as such term is defined in subsection 1(1) of the Act and a "commodity pool" as such term is defined in subsection 1.1 of Multilateral Instrument 81-104 - *Commodity Pools*.

7. In connection with the Proposed Advisory Services, the Agreement will set out the obligations and duties of ProFund. Under the Agreement, Felcom will assume responsibility for the Proposed Advisory Services.

8. Pursuant to the terms of the Agreement, ProFund will only provide the Proposed Advisory Services to Felcom where Felcom has contractually agreed with the Funds to be responsible for any loss arising out of the failure of ProFund to:

   (a) exercise its powers and discharge its duties honestly, in good faith and in the best interests of Felcom and the Funds; or

   (b) exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances;

   (the "**Standard of Care**"), which responsibility cannot be waived.

9. ProFund will only provide the Proposed Advisory Services in connection with the Funds. The offering documents of the Funds will disclose that:

   (a) Felcom has responsibility for the investment advice provided by ProFund; and

   (b) to the extent applicable, there may be difficulty in enforcing any legal rights against ProFund because it is resident outside of Canada and all or a substantial portion of its assets are situated outside of Canada.

10. ProFund will only provide the Proposed Advisory Services in connection with the Funds so long as Felcom remains registered as an adviser under the Act and as a commodity trading manager under the CFA.

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

IT IS ORDERED pursuant to section 80 of the CFA that ProFund and its directors, officers and employees are not subject to the requirements of subsection 22(1)(b) of the CFA with respect to the Proposed Advisory Services, provided that:

(a) the obligations and duties of ProFund are set out in a written agreement with Felcom;

(b) the Proposed Advisory Services will only be provided where ProFund has contractually agreed with the Funds to be responsible for any loss that arises out of the failure of ProFund to meet the Standard of Care, and that such responsibility cannot be waived;

(c) ProFund will only provide the Proposed Advisory Services in connection with the Funds where the offering documents for the Funds discloses that Felcom is responsible for any loss that arises out of the failure of ProFund to meet the Standard of Care, and that:

   (i) Felcom will be responsible for any advice provided by ProFund; and

   (ii) there may be difficulty in enforcing any legal rights against ProFund because it is resident outside of Canada and all or a substantial portion of its assets are situated outside of Canada;

(d) ProFund maintains its registration as an investment adviser with the SEC;

(e) ProFund will only provide the Proposed Advisory Services in connection with the Funds so long as Felcom remains registered as an adviser under the Act and as a commodity trading manager under the CFA; and

(f) this order shall terminate three years from the date hereof.

"Paul M. Moore"
Commissioner

"Harold P. Hands"
Commissioner

2.2.6 UBS Securities LLC and Bloomberg Tradebook Canada Company - Section 38 of the CFA, Section 74 of the OSA, Section 211 of the Regulation and Section 6.1 of Rule 91-502

Headnote

Section 38 of the Commodity Futures Act (Ontario), Section 74 of the OSA, Section 211 of the Regulation and Section 6.1 of Rule 91-502 – enable Institutional Investors to trade futures and options through the Bloomberg Tradebook system and UBS LLC.

July 5, 2005

**IN THE MATTER OF
THE COMMODITY FUTURES ACT
R.S.O. 1990, CHAPTER C.20, AS AMENDED (the "CFA")**

AND

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

AND

**IN THE MATTER OF
ONTARIO REGULATION 1015 MADE UNDER THE OSA
R.R.O. 1990, REG. 1015, AS AMENDED (the "Regulation")**

AND

**IN THE MATTER OF
RULE 91-502
TRADES IN RECOGNIZED OPTIONS (the "RULE")**

AND

**IN THE MATTER OF
UBS SECURITIES LLC**

AND

BLOOMBERG TRADEBOOK CANADA COMPANY

ORDER AND RULING

**(Section 38 of the CFA, Section 74 of the OSA, Section 211 of the Regulation and
Section 6.1 of Rule 91-502)**

UPON the application (the "Application") of UBS Securities LLC ("UBS LLC") and Bloomberg Tradebook Canada Company ("Tradebook Canada") (collectively, the "Applicants"), in connection with trades in futures and options on behalf of Institutional Investors (as defined in Appendix 1 to this order) that are routed through the electronic order-routing system made available by Tradebook Canada (the "TBFO System") and executed by UBS LLC, to the Ontario Securities Commission (the "Commission") for:

(a) an order pursuant to section 38 of the CFA for relief from paragraph 22(1)(a) and section 33 of the CFA for certain trades in futures contracts;

(b) an exemption pursuant to section 211 of the Regulation from the restrictions set out in subsection 208(1) of the Regulation for certain trades in options and futures;

(c) a ruling pursuant to section 74 of the OSA for relief from section 53 for certain trades in options and futures; and

to the Director for an order pursuant to section 6.1 of the Rule for relief from section 3.1 of the Rule for certain trades in options.

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

Bloomberg Tradebook Entities

1. Tradebook Canada, a Nova Scotia unlimited liability company, is registered as an investment dealer under the OSA and is a member of the Investment Dealers Association of Canada ("IDA").

2. Bloomberg Tradebook LLC ("Tradebook U.S."), a Delaware (U.S.) limited liability company, is an introducing broker registered with the U.S. Commodity Futures Trading Commission ("U.S. CFTC"), a member of the U.S. National Futures Association ("U.S. NFA"), a broker-dealer registered with the U.S. Securities and Exchange Commission ("U.S. SEC") and a member of the U.S. National Association of Securities Dealers, Inc. ("U.S. NASD"). Tradebook U.S. is registered as an international dealer under the OSA and has attorned to the jurisdiction of the courts of Ontario and appointed an agent for service in Ontario.

3. Bloomberg Tradebook (Bermuda) Ltd. ("Tradebook Bermuda"), a Bermuda company, is registered under the Bermuda Investment Business Act.

UBS Entities

4. UBS LLC, a Delaware (U.S.) limited liability company, is an integrated investment bank whose clients include financial institutions, corporations, governments and individuals. UBS LLC provides its clients with a broad range of financial products and services. In the United States, UBS LLC is a futures commission merchant registered with the U.S. CFTC, a member of the U.S. NFA, a broker-dealer registered with the U.S. SEC and a member of the U.S. NASD.

5. UBS LLC is registered as an international dealer under the OSA and has attorned to the jurisdiction of the courts of Ontario and appointed an agent for service in Ontario.

6. UBS Securities Canada Inc., an Ontario corporation, is registered as an investment dealer and broker under the OSA and as a dealer under the CFA but does not act as a broker for Futures Trades (as defined below) or Options Trades (as defined below).

7. UBS LLC and certain of its affiliates other than UBS Securities Canada Inc. (collectively, "UBS") are engaged in the business of providing execution and, unless the client has directed otherwise, clearing broker services for trades in futures and options on futures other than futures and options on futures traded on the Bourse de Montreal (collectively, "Futures") and options on securities and options on securities indices (collectively, "Options") for clients in the United States and throughout the world.

8. UBS LLC will not rely on the prospectus and registration exemptions provided in OSC Rule 91-503 Trades in Commodity Futures Contracts and Commodity Futures Options Entered into on Commodity Futures Exchanges Situate outside of Ontario for Futures Trades.

Proposed Transactions

9. The TBFO System will offer Ontario clients execution and, unless the client has directed otherwise, clearing broker services for trades in Futures, and Options. Orders for Futures entered on the TBFO System and executed by UBS LLC ("Futures Trades") will be routed and effected as shown on the futures order flow chart and accompanying text attached as Appendix 2 to this order (the "Futures Order Flow Chart"). Orders for Options entered on the TBFO System and executed by UBS LLC ("Options Trades") will be routed and effected as shown on the options order flow chart and accompanying text attached as Appendix 3 to this order (the "Options Order Flow Chart", and together with the Futures Order Flow Chart, the "Order Flow Charts").

10. The Ontario clients that will use the TBFO System to route orders to UBS LLC will be Institutional Investors.

11. As outlined in the Futures Order Flow Chart, all orders for Futures Trades are routed through Tradebook Canada to Tradebook U.S. and then to UBS LLC to be executed on exchanges worldwide. As outlined in the Options Order Flow Chart, the process is substantially identical for Options Trades, except Tradebook Canada routes Options Trades to Tradebook Bermuda, which in turn routes them on to UBS LLC to be executed on exchanges located outside the United States.

12. UBS LLC trades Futures listed on futures exchanges located outside of Canada and cleared through clearing corporations located outside of Canada and Options listed on options exchanges located primarily outside of Canada

and cleared through clearing corporations located primarily outside Canada. If it is a member of the exchange on which the trade will be made, UBS LLC executes the client order on the exchange in accordance with the rules and customary practice of the exchange. If it is not a member of the exchange on which the trade will be made, UBS LLC will engage a local broker, which may be an affiliate of UBS LLC, to assist in the execution and clearance of trades. In addition, clients of UBS LLC may direct that the trades executed by UBS LLC be cleared through non-UBS clearing brokers. UBS LLC remains responsible for the execution and, unless the client has directed otherwise, clearance of each Futures Trade and Options Trade.

13. When UBS LLC performs only the execution of a client's order and "gives-up" the transaction for clearance to a non-UBS clearing broker, the non-UBS clearing broker is required to comply with the rules of the exchanges of which it is a member and any relevant regulatory requirements, including requirements under the OSA and/or CFA as applicable.

14. As is customary for all trading on futures and options exchanges, a clearing corporation appointed by the exchange is substituted as a universal counterparty on all trades and client orders are submitted to the exchange in the name of UBS. The client is responsible to UBS LLC for payment for the trade and UBS is in turn responsible to the clearing corporation for payment unless the trade is given-up to a non-UBS clearing broker for clearance and settlement.

15. Clients using the TBFO System will execute a standard clearing agreement with a clearing broker, whether such clearing broker is UBS LLC or a non-UBS clearing broker. The clients will execute give-up agreements for transactions given-up by UBS LLC at the instruction of the client to non-UBS clearing brokers for clearance and settlement. In addition, clients will be required to execute the Bloomberg Tradebook Agreement and the Tradebook Futures and Options Addendum to the Bloomberg Tradebook Agreement.

16. Clients will pay commissions for trades to UBS LLC or the non-UBS clearing broker and such commissions will be shared among UBS LLC, certain of its affiliates, if applicable, the non-UBS clearing broker, if applicable, and Tradebook U.S. or Tradebook Bermuda. Tradebook Canada is compensated by Tradebook U.S. or Tradebook Bermuda for its expense in providing clients with access to the TBFO System.

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

AND UPON the Commission and the Director being satisfied that it would not be prejudicial to the public interest to grant the exemptions requested.

IT IS ORDERED pursuant to section 38 of the CFA that paragraph 22(1)(a) of the CFA does not apply to the Applicants in respect of Futures Trades and section 33 of the CFA does not apply to the Applicants in respect of Futures Trades, provided that

1. at the time trading activity is engaged in:

   (a) UBS LLC is registered with the U.S. CFTC as a futures commission merchant and is a member of the U.S. NFA in good standing;

   (b) UBS LLC is registered as an international dealer under the OSA; and

   (c) Tradebook Canada is registered as an investment dealer under the OSA;

2. each Ontario client effecting Futures Trades is an Institutional Investor and, if using a non-UBS clearing broker, has represented and covenanted that the broker is or will be appropriately registered or exempt from registration under the CFA; and

3. each Ontario client effecting Futures Trades receives disclosure upon entering into the agreement by which it establishes an account relating to the TBFO System that includes:

   (a) a statement that there may be difficulty in enforcing any legal rights against UBS LLC or any of its directors, officers or employees because they are resident outside of Canada and all or substantially all of their assets are situated outside of Canada; and

   (b) a statement that UBS LLC is not registered under legislation in Ontario governing trading in commodity futures and, accordingly, the protection available to Ontario clients of a dealer registered under such legislation will not be available to clients of UBS LLC; however, UBS LLC is registered as an international dealer under securities legislation in Ontario and the protection arising from such registration is available to Ontario clients; and

(c) a risk disclosure statement that complies with legislative requirements applicable to UBS LLC in the United States, and provides substantially similar disclosure to that required under section 40 of the CFA.

AND IT IS RULED pursuant to section 74 of the OSA that section 53 of the OSA does not apply to the Applicants in respect of Options Trades and Futures Trades, provided that:

1. at the time trading activity is engaged in:

   (a) UBS LLC is registered with the U.S. SEC as a broker-dealer and is a member of the U.S. NASD in good standing;

   (b) UBS LLC is registered as an international dealer under the OSA; and

   (c) Tradebook Canada is registered as an investment dealer under the OSA;

2. each Ontario client effecting Options Trades is an Institutional Investor and, if using a non-UBS clearing broker, has represented and covenanted that the broker is or will be appropriately registered or exempt from registration under the OSA; and

3. each Ontario client effecting Options Trades receives disclosure upon entering into the agreement by which it establishes an account relating to the TBFO System that includes:

   (a) a statement that there may be difficulty in enforcing any legal rights against UBS LLC, or any of its directors, officers or employees because they are resident outside of Canada and all or substantially all of their assets are situated outside of Canada; and

   (b) a risk disclosure statement that complies with legislative requirements applicable to UBS LLC in the United States, and provides substantially similar disclosure to that required under Appendix B to the Rule.

AND IT IS ORDERED pursuant to section 211 of the Regulation that UBS LLC is exempt from the restrictions contained in subsection 208(1) of the Regulation so long as:

1. Option Trades are made only in compliance with subsection 208(1) as it would apply if “Institutional Investor” replaced “designated institution” wherever appearing and international dealers were permitted to trade Options traded on the Bourse de Montreal; and

2. Futures Trades are made only in compliance with subsection 208(1) as it would apply if “Institutional Investor” replaced “designated institution” wherever appearing.

AND IT IS ORDERED pursuant to section 6.1 of the Rule that section 3.1 of the Rule does not apply to the Applicants in respect of Options Trades, provided that UBS LLC continues to be permitted to trade options in the United States.

“Paul M. Moore”

“Carol S. Perry”

“Randee B. Pavalow”

Appendix 1

INSTITUTIONAL INVESTORS

In this order, “Institutional Investor” means:

(a) a bank listed in Schedule I or II of the *Bank Act* (Canada), or an authorized foreign bank listed in Schedule III of that Act;

(b) the Business Development Bank incorporated under the *Business Development Bank Act* (Canada);

(c) a loan corporation, trust corporation, savings company or loan and investment society registered under the *Loan and Trust Corporations Act* (Ontario) or under the *Trust and Loan Companies Act* (Canada), or under comparable legislation in any other province of Canada;

(d) a co-operative credit society, credit union central, federation of caisses populaires, credit union or league, or regional caisse populaire, or an association under the *Cooperative Credit Associations Act* (Canada), in each case, located in Canada;

(e) a company licensed to do business as an insurance company in a province of Canada;

(f) a subsidiary of any company referred to in paragraph (a), (b), (c), (d) or (e), where the company owns all of the voting shares of the subsidiary;

(g) a federation within the meaning of the *Act respecting Financial Services Cooperatives* (Quebec);

(h) the Caisse centrale Desjardins du Québec established under the *Act respecting the Movement des Caisses Desjardins* (Quebec);

(i) a person or company registered under the securities legislation of the applicable province of Canada as an adviser or dealer, other than a limited market dealer;

(j) the government of Canada or of any jurisdiction, or any crown corporation, instrumentality or agency of a Canadian federal, provincial or territorial government;

(K) any Canadian municipality or any Canadian provincial or territorial capital city;

(l) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any instrumentality or agency thereof;

(m) a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a provincial pension commission or similar regulatory authority;

(n) a registered charity under the *Income Tax Act* (Canada);

(o) a company, limited partnership, limited liability partnership, trust or estate, other than a mutual fund or non-redeemable investment fund, that had net assets of at least Cdn.$5,000,000 as reflected in its most recently prepared financial statements;

(p) a person or company, other than an individual, that is recognized by the Ontario Securities Commission as an “accredited investor”;

(q) a mutual fund or non-redeemable investment fund that, in the applicable province of Canada, distributes its securities only to persons or companies that are accredited investors;

(r) a mutual fund or non-redeemable investment fund that, in the applicable province of Canada, distributes its securities under a prospectus for which a receipt has been granted;

(s) an account that is fully managed by a registered portfolio manager or an entity listed in paragraphs (a), (c), (d) or (e);

(t) an entity organized outside of Canada that is analogous to any of the entities referred to in paragraphs (a) through (f) and paragraph (m) in form and function; and

(u) a person or company in respect of which all of the owners of interests, direct or indirect, legal or beneficial, are persons or companies that are Institutional Investors; provided that:

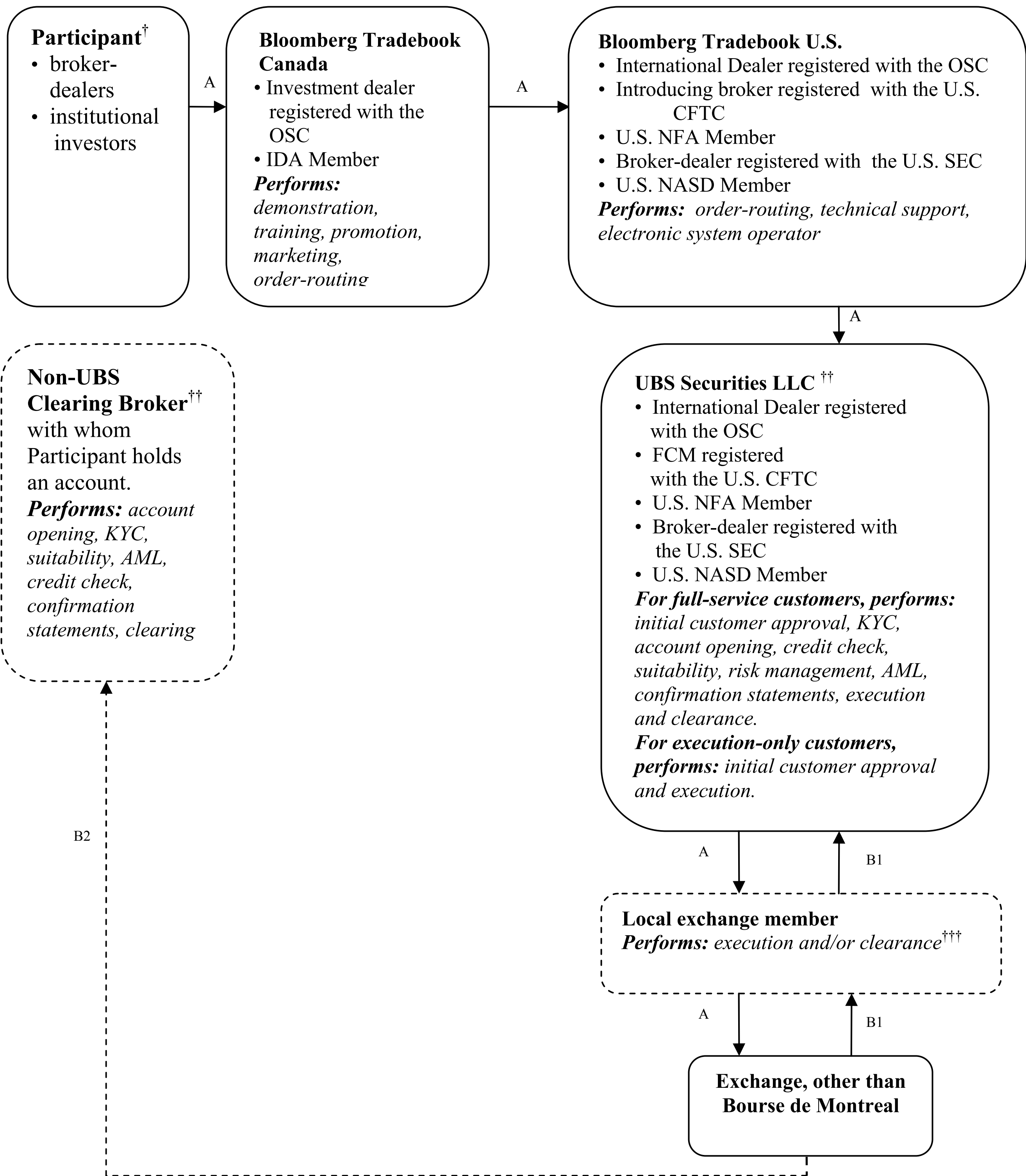
   (i) two or more persons who are the joint registered holders of one or more securities of the issuer shall be counted as one beneficial owner of those securities; and

   (ii) a corporation, partnership, trust or other entity shall be counted as one beneficial owner of securities of the issuer unless the entity has been created or is being used primarily for the purpose of acquiring or holding securities of the issuer, in which event each beneficial owner of an equity interest in the entity or each beneficiary of the entity, as the case may be, shall be counted as a separate beneficial owner of those securities of the issuer.

Appendix 2

Bloomberg Tradebook Futures and Options System

Canada Participant Order Flow
Futures and Options on Futures



Notes

A: order and, if applicable, give-up instructions

B1: confirmation of matched trade for full service clients of UBS Securities LLC

B2: confirmation of matched trade for execution-only clients of UBS Securities LLC

* Participants do not have direct access to any exchanges, including non-Canadian exchanges, because orders will always be routed through UBS Securities LLC as a broker and in the name of an exchange member. UBS Securities LLC, or a Non-UBS Clearing Broker, as defined below (if UBS Securities LLC is not acting as the clearing broker), is responsible to the exchange for payment and delivery in connection with all Participant trades.

As a technical matter, orders from the Bloomberg Tradebook Futures and Options System can go to exchanges in three ways:

First, UBS maintains electronic links to certain exchanges.

Second, Bloomberg L.P., the parent of Bloomberg Tradebook U.S., maintains an electronic link to certain exchanges. Participants may route orders via those links to an exchange in the name of UBS Securities LLC without technical intervention by UBS Securities LLC.

Third, where neither of Bloomberg L.P. nor UBS Securities LLC maintains an electronic link to an exchange, orders would be routed by UBS Securities LLC to a local exchange member.

** A clearing broker, whether UBS Securities LLC or another entity (identified on the chart as the **"Non-UBS Clearing Broker"**), is chosen by Participants and has a contractual relationship with Participants and/or their customers that is established separately from the Bloomberg Tradebook Futures and Options System.

When UBS Securities LLC performs only the execution of a Participant's order and "gives-up" the transaction for clearance to a Non-UBS Clearing Broker, the Non-UBS Clearing Broker is required to comply with the rules of the exchanges of which it is a member and any relevant regulatory requirements, which may include know-your-customer obligations, account opening, suitability, anti-money laundering checks, credit checks, delivery of confirmation statements, clearing deposits, initial and maintenance margins, custody of Participants' funds and interaction with the relevant clearing corporation. Non-UBS Clearing Brokers will represent to UBS Securities LLC in a give-up agreement that they will perform their obligations in accordance with applicable laws, governmental, regulatory, self-regulatory, exchange and clearing house rules and the customs and usages of the exchange or clearing house on which Participants' orders are executed and cleared. Non-UBS Clearing Brokers located in the United States are registered with the U.S. CFTC.

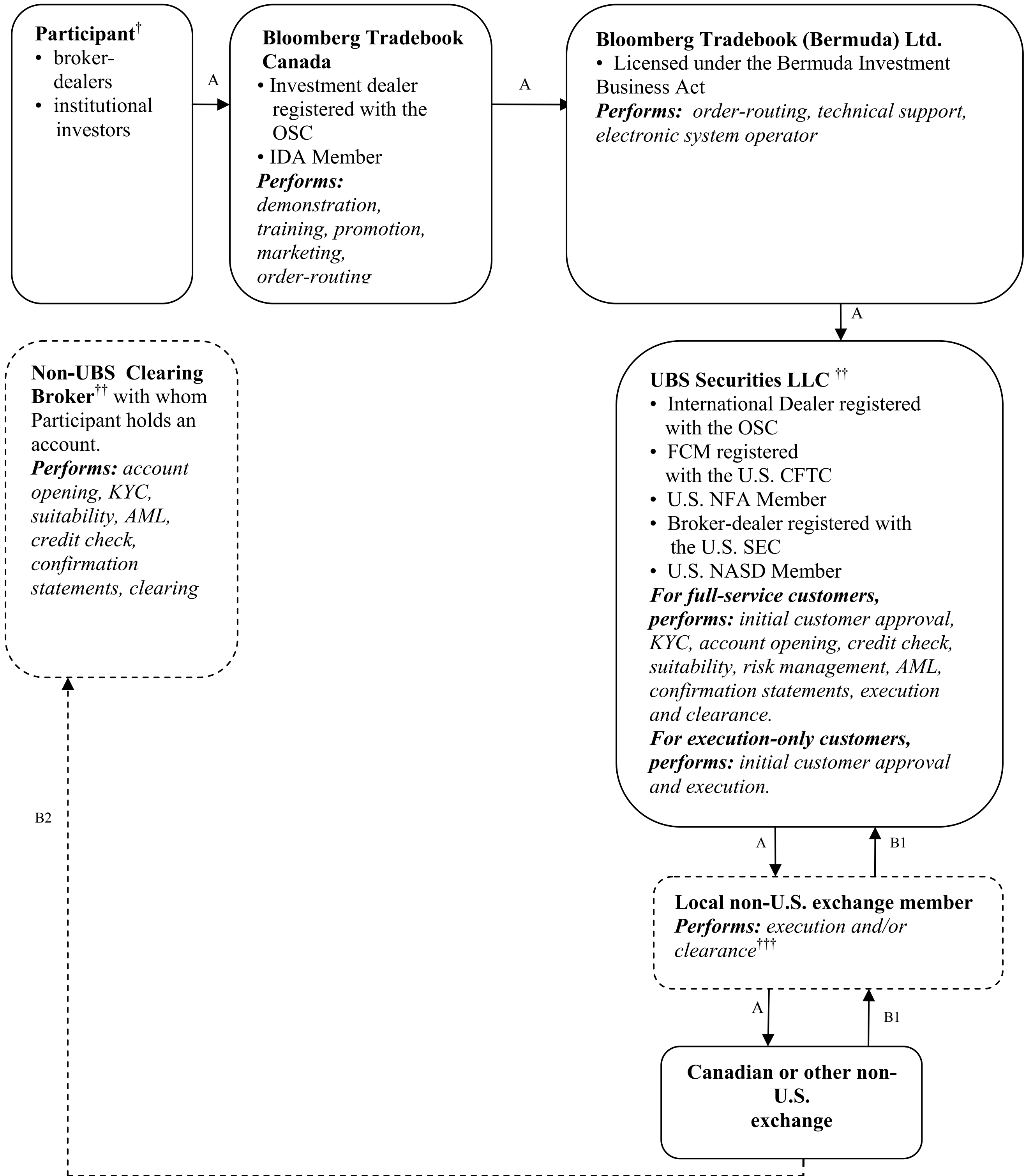
*** UBS Securities LLC may use a local exchange member for execution and/or clearance on its behalf of Participants' orders on the exchange. A local exchange member has no relationship with Participants and UBS Securities LLC remains responsible to Participants for the execution and/or clearance of Participants' orders.

(- - -) Dotted line denotes alternative entities and steps.

Appendix 3

Bloomberg Tradebook Futures and Options System

Canada Participant Order Flow
Options on Securities



Notes

A: order and, if applicable, give-up instructions

B1: confirmation of matched trade for full service clients of UBS Securities LLC

B2: confirmation of matched trade for execution-only clients of UBS Securities LLC

† Participants do not have direct access to any exchanges, including non-Canadian exchanges, because orders will always be routed through UBS Securities LLC as a broker and in the name of an exchange member. UBS Securities LLC, or a Non-UBS Clearing Broker, as defined below (if UBS Securities LLC is not acting as the clearing broker), is responsible to the exchange for payment and delivery in connection with all Participant trades.

As a technical matter, orders from the Bloomberg Tradebook Futures and Options System can go to exchanges in three ways:

First, UBS maintains electronic links to certain exchanges.

Second, Bloomberg L.P., the parent of Bloomberg Tradebook (Bermuda) Ltd., maintains an electronic link to certain exchanges. Participants may route orders via those links to an exchange in the name of UBS Securities LLC without technical intervention by UBS Securities LLC.

Third, where neither of Bloomberg L.P. nor UBS Securities LLC maintains an electronic link to an exchange, orders would be routed by UBS Securities LLC to a local exchange member.

†† A clearing broker, whether UBS Securities LLC or another entity (identified on the chart as the **"Non-UBS Clearing Broker"**), is chosen by Participants and has a contractual relationship with Participants and/or their customers that is established separately from the Bloomberg Tradebook Futures and Options System.

When UBS Securities LLC performs only the execution of a Participant's order and "gives-up" the transaction for clearance to a Non-UBS Clearing Broker, the Non-UBS Clearing Broker is required to comply with the rules of the exchanges of which it is a member and any relevant regulatory requirements, which may include know-your-customer obligations, account opening, suitability, anti-money laundering checks, credit checks, delivery of confirmation statements, clearing deposits, initial and maintenance margins, custody of Participants' funds and interaction with the relevant clearing corporation. Non-UBS Clearing Brokers will represent to UBS Securities LLC in a give-up agreement that they will perform their obligations in accordance with applicable laws, governmental, regulatory, self-regulatory, exchange and clearing house rules and the customs and usages of the exchange or clearing house on which Participants' orders are executed and cleared. Non-UBS Clearing Brokers located in the United States are registered with the U.S. CFTC.

††† UBS Securities LLC may use a local exchange member for execution and/or clearance on its behalf of Participants' orders on the exchange. A local exchange member has no relationship with Participants and UBS Securities LLC remains responsible to Participants for the execution and/or clearance of Participants' orders.

(- - -) Dotted line denotes alternative entities and steps.

2.2.7 J.C. Hood Investment Counsel Inc. - s. 4.1 of Rule 31-502

Headnote

Application for exemption from subsection 3.3(4), whereby the designated registered representative, partner or officer shall be employed at the same location as the associate representative, partner or associate officer whose advice must be approved.

Rules Cited

Ontario Securities Commission Rule 31-501 Proficiency Requirements for Registrants, ss. 3.3(4), 4.1.

July 8, 2005

J.C. Hood Investment Counsel Inc. and Mr. Cory Venable

Order under Section 4.1 of Rule 31-502 of the *Securities Act,* R.S.O. 1990 c. S. 5, as amended, that:

An application has been received on May 16, 2005 from J.C. Hood Investment Counsel Inc. (**J.C. Hood**) for an exemption from subsection 3.3(4) of the Ontario Securities Commission Rule 31-502 *Proficiency Requirements for Registrants* (the **Rule**).

J.C. Hood has represented to the Director that:

1. Cory Venable will be looking to join J.C. Hood's office in Barrie, Ontario, since Mr. Venable's client base is better served with him located in the Barrie office.

2. Trading authorization is only granted to John Hood, J.C. Hood's only advising officer, in J.C. Hood's Toronto office. Recommendations by Mr. Venable will be emailed or faxed to Mr. Hood and confirmed as to client suitability prior to any trades. All client accounts are reviewed by Mr. Hood for suitability, with all New Account documents, trade slips and statements being held in the Toronto office.

3. Mr. Venable's approach to technical analysis is as a risk management device not as a trading strategy, so that the trades are relatively infrequent and easy to monitor.

4. The Toronto office monitors any advertising, newsletters and stationary for compliance.

5. Mr. Venable will advise clients as to asset allocation and exchange-traded fund selection based on the J.C. Hood's asset allocation guidelines.

The Director is satisfied that it would not be prejudicial to the public interest to make the requested Order.

It is ordered under section 4.1 of Rule 31-502 that J.C. Hood and Mr. Cory Venable be exempt from subsection 3.3(4) of Rule 31-502 until

1. J.C. Hood ceases to be registered in the category of investment counsel and portfolio manager in the province of Ontario; or

2. Mr. Venable ceases to be employed by J.C. Hood.

"David M. Gilkes"

2.2.8 Veritas Energy Services Inc. - s. 144

Headnote

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

Statutes Cited

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

July 8, 2005

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

AND

IN THE MATTER OF
VERITAS DGC INC.

AND

VERITAS ENERGY SERVICES INC.

ORDER
(Section 144)

WHEREAS the Ontario Securities Commission (the "Commission") has received an application from Veritas DGC Inc. ("DGC") for a decision under the Act to revoke two outstanding cease trade orders concerning DGC and its wholly-owned subsidiary, Veritas Energy Services Inc. ("VES") (the "Requested Relief");

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

AND WHEREAS DGC has represented to the Commission that:

1. DGC is a corporation incorporated under the laws of Delaware on June 21, 1991;

2. DGC is a reporting issuer in Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia and Newfoundland whose head office is located at 10300 Town Park Drive, Houston, TX, 77072-5236;

3. The authorized capital of DGC consists of 79,500,000 shares, of which 78,500,000 are shares of common stock, U.S. $.01 par value and 1,000,000 are shares of preferred stock. As of May 31, 2005, there were approximately 33,694,446 common shares issued and outstanding. No shares of preferred stock are currently issued and outstanding;

4. The common shares of DGC are listed on the New York Stock Exchange and the Toronto Stock Exchange under the symbol VTS but are currently subject to a Cease Trade Order in the Province of Ontario for failure to file annual audited financial statements for the year ended July 31, 2004 and interim financial statements for the period ended October 31, 2004 (the "DGC Cease Trade Order");

5. VES is a corporation incorporated under the *Business Corporations Act* (Alberta) (the "ABCA") on May 11, 1993. 100% of the voting securities of VES are owned by DGC;

6. VES is a reporting issuer in Alberta, British Columbia, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia and Newfoundland, whose head office is located at 10300 Town Park Drive, Houston, TX, 77072-5236 and whose head office in Canada is located at 2200, 715 – 5th Avenue SW, Calgary, AB T2P 5A2;

7. The authorized capital of VES consists of an unlimited number of Common Shares, an unlimited number of Exchangeable Shares, an unlimited number of Class A Exchangeable Shares and 25,000,000 Class A Exchangeable Shares Series 1, of which there were, as of May 31, 2005, 92,347 Exchangeable Shares issued and outstanding and 63,023 Class A Exchangeable Shares Series 1 issued and outstanding;

8. The securities of VES are listed on the Toronto Stock Exchange under the symbol VER and VER.A and are currently subject to a Cease Trade Order in the Province of Ontario for failure to file annual audited financial statements for the year ended July 31, 2004 and interim financial statements for the period ended October 31, 2004 (the "VES Cease Trade Order");

9. In September 2004, DGC discovered certain reconciliation and accounting errors and undertook to restate its financial statements for the relevant period. DGC was unable to file further financial statements during the time required to correct and restate its 2004 financial statements;

10. As of June 17, 2005, DGC has filed its restated financial statements on SEDAR and has also filed quarterly financial information for the three quarters completed during the restatement process. As such, DGC is no longer in default in its obligations to file annual and interim financial statements;

11. There have been no changes in directors, officers, insiders or controlling shareholders of either of the Veritas Entities in the past year.

AND WHEREAS the Permanent Order was made on the basis that the Reporting Issuers were in default of certain filing requirements under Ontario securities law;

AND WHEREAS the Director is satisfied that the Reporting Issuers have remedied their default in respect of the filing requirements and is of the opinion that it is not prejudicial to the public interest to revoke the Permanent Order;

IT IS ORDERED under section 144 of the Act that the Permanent Order be revoked and, effectively immediately, that trading in the securities of the Reporting Issuers be permitted to resume.

"John Hughes"
Corporate Finance
Ontario Securities Commission

2.2.9 Putnam Advisory Company, LLC - ss. 38(1) and 78(1) of the CFA

Headnote

Order pursuant to section 78(1) of the Commodity Futures Act (Ontario) (the **CFA**) to vary a previous order providing relief from the adviser registration requirements of subsection 22(1)(b) of the CFA, granted to an investment adviser under the U.S. securities law in connection with the proposed advisory services to be provided to a registered commodity trading manager under the CFA for a term of 3 years, subject to certain terms and conditions, pursuant to subsection 38(1) of the CFA.

Statutes Cited

Commodity Futures Act, R.S.O. 1990. c. C.20., as am., ss. 22(1)(b), 38(1), 78(1).
Securities Act, R.S.O. 1990, c. S.5, as am. - Rule 35-502 – Non-Resident Advisers (the Rule), s. 7.3:

July 12, 2005

IN THE MATTER OF
THE COMMODITY FUTURES ACT,
R.S.O. 1990, CHAPTER C.20 (THE CFA)

AND

IN THE MATTER OF
THE PUTNAM ADVISORY COMPANY, LLC

ORDER
(Section 38(1) and 78(1) of the CFA)

UPON the application of The Putnam Advisory Company, LLC (the Applicant) to the Ontario Securities Commission (the Commission) for an order pursuant to section 78(1) of the CFA to vary the decision of the Commission dated February 28, 2003 which, pursuant to subsection 38(1) of the CFA, exempted the Applicant and its directors, officers and employees from the requirements of paragraph 22(1)(b) of the CFA in respect of advising certain mutual funds in Ontario regarding trades in commodity futures contracts and related products traded on commodity futures exchanges outside of Canada and cleared through clearing corporations outside of Canada;

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

AND UPON the Applicant having represented to the Commission that:

1. The Applicant is a limited liability company organized under the laws of the state of Delaware, with its principal place of business located in Boston, Massachusetts in the United States. The Applicant is currently registered in Ontario as an international adviser. The Applicant is also registered with the U.S. Securities and Exchange Commission (the **SEC**) as an investment adviser.

Although the Applicant advises on derivative products to clients in the U.S., the Applicant is expressly exempt from registration under the U.S. *Commodity Exchange Act* as a commodity trading adviser with the U.S. Commodity Futures Trading Commission (the **CFTC**).

2. The Applicant is an affiliate of Putnam Investments Inc. (**PII**).

3. PII is a corporation incorporated under the *Business Corporations Act* (Ontario), and is registered with the Commission as an adviser in the categories of investment counsel and portfolio manager and under the CFA as an adviser in the category of commodity trading manager. PII acts as trustee, manager and portfolio adviser of Putnam Canadian Balanced Fund, Putnam Canadian Bond Fund, Putnam Canadian Equity Fund, Putnam Canadian Money Market Fund, Putnam Global Equity Fund, Putnam U.S. Value Fund, Putnam U.S. Voyager Fund, Putnam International Equity Fund (collectively, the **Putnam Retail Funds**) and Putnam U.S. Equity Fund, Putnam Non-North American Equity Fund, Putnam U.S. Midcap Equity Fund, Putnam Emerging Markets Fund, Putnam Global Core Equity Fund, Putnam U.S. Midcap Equity Fund, Putnam International Bond Fund (collectively, the **Putnam Pooled Funds**, and together with the Putnam Retail Funds, the **Funds**). The Funds may in the future include other mutual funds (**Future Putnam Funds**), provided the Applicant executes and submits to the Commission a verification certificate referencing this Application and confirming the truth and accuracy of the information set out in this Application with respect to that particular Future Putnam Fund. The Applicant currently acts as sub-adviser to PII in respect of a number of the Funds.

4. The Funds may invest in futures and options on futures traded on organized exchanges outside of Canada and cleared through clearing corporations, located outside of Canada and in other derivative instruments traded over the counter (the Derivatives Strategy). In no case will the Derivatives Strategy constitute the primary focus or investment objectives of any of the Funds.

5. The Applicant is proposing to enter into an investment sub-advisory agreement with PII whereby PII would act as the portfolio adviser to the Funds in respect of the Derivatives Strategy, and the Applicant would act as sub-adviser to PII (the **Proposed Advisory Services**).

6. In connection with the Proposed Advisory Services, the Applicant would comply with the requirements of section 7.3 of Ontario Securities Commission Rule 35-502 and accordingly:

   (a) would enter into a written agreement with PII outlining the duties and obligations of the Applicant;

   (b) PII will contractually agree with the Funds to be responsible for any loss that arises out of the failure of the Applicant to (i) exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of PII and the Funds and (ii) exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances; and

   (c) PII cannot be relieved by the Funds from its responsibility for loss under paragraph 6(b) above.

7. The offering documents for the Funds will disclose that PII is responsible for the investment advice given or portfolio management services provided by the Applicant, that there may be difficulty in enforcing any legal rights against the Applicant because the Applicant is resident outside of Canada and all or a substantial portion of the Applicant's assets are situated outside of Canada, and where applicable, the sub-adviser advising the relevant Funds is not, or will not be registered with the Commission under the CFA, and accordingly, the protections available to clients of a registered adviser under the CFA will not be available to purchasers of units of the Funds.

AND UPON being satisfied that it would not be prejudicial to public interest for the Commission to grant the exemption requested on the basis of the terms and conditions proposed,

IT IS ORDERED pursuant to subsection 38(1) of the CFA that the Applicant and its directors, officers and employees be exempt from paragraph 22(1)(b) of the CFA in respect of the Proposed Advisory Services provided that:

(a) The obligations and duties of the Applicant are set out in a written agreement with PII;

(b) PII contractually agrees with the Funds to be responsible for any loss that arises out of the failure of the Applicant to (i) exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of PII and the Funds and (ii) exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances;

(c) PII cannot be relieved by the Funds from its responsibility for loss under paragraph (b) above;

(d) The offering documents for the Funds disclose that PII is responsible for the investment advice given or portfolio management services provided by the Applicant, that there may be difficulty in enforcing any legal rights against the Applicant because the Applicant is resident outside of Canada and all or a substantial portion of the Applicant's assets are situated outside of Canada, and where applicable, the sub-adviser advising the relevant Funds is not, or will not be registered with the Commission under the CFA, and accordingly, the protections available to clients of a registered adviser under the CFA will not be available to purchasers of units of the Funds;

(e) PII will remain registered as a commodity trading manager under the CFA so long as the Proposed Advisory Services are provided by the Applicant;

(f) The Applicant will continue to be registered under the *Securities Act* (Ontario) as an international adviser and as an investment adviser with the SEC, or is, or will be entitled to rely on appropriate exemptions from such registration or licence and from registration as a commodity trading adviser with the CFTC, pursuant to the applicable legislation of its principal jurisdiction; and

(g) This Order shall terminate three years from the date hereof.

"Paul M. Moore"
Commissioner

"David L. Knight"
Commissioner

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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
Foccini International Inc.	04 Jul 05	15 Jul 05		

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		
Brainhunter Inc.	18 May 05	31 May 05	31 May 05		
Cimatec Environmental Engineering	04 May 05	17 May 05	17 May 05		
Hip Interactive Corp.	04 Jul 05	15 Jul 05			
Hollinger Canadian Newspapers, Limited Partnership	21 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		
How To Web Tv Inc.	04 May 05	17 May 05	17 May 05		
Kinross Gold Corporation	01 Apr 05	14 Apr 05	14 Apr 05		
Lucid Entertainment Inc.	03 May 05	16 May 05	16 May 05		
Mad Catz Interactive Inc.	30 Jun 05	13 Jul 05			
Mamma.Com Inc.	01 Apr 05	14 Apr 05	14 Apr 05		
Rex Diamond Mining Corporation	04 Jul 05	15 Jul 05			
Sargold Resources Corporation	04 May 05	17 May 05	17 May 05		
Thistle Mining Inc.	05 Apr 05	18 Apr 05	18 Apr 05		
Xplore Technologies Corp.	04 Jul 05	15 Jul 05			

4.3.1 Issuer CTO's Revoked

Company Name	Date of Revocation
Veritas DGC Inc./ Veritas Energy Services Inc.	**08 Jul 05**

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 Pur. Price ($)	No. of Securities
22-Jun-2005	1664138 Ontario Inc. Catalyst One Inc.	2068254 Ontario Inc, - Common Shares	2.00	215.00
30-Jun-2005	5 Purchasers	2068254 Ontario Inc, - Common Shares	685,000.00	924.00
30-Jun-2005	Blackboard Ventures Inc.	Accel London II, L.P. - Limited Partnership Interest	9,889,600.00	9,889,600.00
30-Jun-2005 to 06-Jul-2005	Johwel Investments Inc. Strategic Energy Fund	Adamant Energy Inc. - Common Shares	500,001.00	2,333,334.00
28-Jun-2005	14 Purchasers	Admiral Bay Resources Inc. - Units	865,000.00	865,000.00
28-Jun-2005	17 Purchasers	AssistMed Inc. - Units	1,444,193.00	3,382,185.00
17-Jun-2005	4 Purchasers	Ausam Energy Corporation - Common Share Purchase Warrant	350,000.60	388,888.00
08-Jul-2005	15 Purchasers	Calloway Limited Partnership - Units	249,999,987.00	12,594,458.00
08-Jul-2005	9 Purchasers	Calloway Real Estate Investment Trust - Units	0.00	12,594,458.00
30-Jun-2005 to 08-Jul-2005	15 Purchasers	Card One Plus Ltd. - Shares	1,864,986.00	466,246.00
29-Jun-2005	Spectrum Seniors Housing Development LP	Chartwell Master Care LP - Limited Partnership Units	801,810.60	56,866.00
20-Jun-2005	3 Purchasers	Commander Resources Ltd. - Common Shares	880,000.08	3,666,667.00
30-Jun-2005	6 Purchasers	Contemporary Investment Corp. - Common Shares	161,000.00	161,000.00
30-Jun-2005	5 Purchasers	Conundrum Residential Property Income Fund - Notes	7,920,000.00	5.00
30-Jun-2005	5 Purchasers	Conundrum Residential Property Income Fund - Units	1,980,000.00	19,800.00
07-Jul-2005	Vrinda Sethi Ben Niu	Cooper Pacific II Mortgage Investment Corporation - Shares	553,000.00	553,000.00
06-Jul-2005	Bauer Industries Limited	COB LP - Units	3,565,000.00	3,565,000.00

28-Jun-2005	40 Purchasers	DEQ Systems Corp. - Units	5,306,145.40	6,242,524.00
04-Jul-2005	Barrick Gold Corporation	Diamondex Resources Ltd. - Units	3,204,999.90	3,561,111.00
30-Jun-2005	Dieter Jahnke	Discovery Air Inc. - Units	9,999.88	90,908.00
28-Jun-2005	136 Purchasers	Discovery Income Fund - Trust Units	88,400.00	13,600.00
10-Jul-2005	Fund 321 Limited Partnership	Dreamcatcher Inc. - Debentures	3,000,000.00	3,000,000.00
01-Jan-2005	Royal Trust Corporation	D.E. Shaw Compsite International Fund I - Trust Units	1,564,248.00	130.00
01-Nov-2004	Royal Trust Corporation	D.E. Shaw Oculus International Fund - Trust Units	4,892,005.00	400.00
30-Jun-2005	2 Purchasers	Encelium Technologies Inc. - Promissory note	100,000.00	2.00
30-Jun-2005	State Street Trust Company Canada University of Toronto Asset Management Corporation	Europa Fund II, L.P. - Limited Partnership Interest	14,827,000.00	10,000,000.00
01-Jul-2005	Amarnath Resources Limited	Excalibur Limited Partnership II - Limited Partnership Units	2,000,000.00	400,000.00
20-Jun-2005 to 29-Jun-2005	Yan Lau Lorraine Ferrao	Fisgard Capital Corporation - Common Shares	14,900.00	14,900.00
28-Jun-2005	Burgundy Asset Management	Gladstone Investment Corporation - Shares	12,925,494.98	700,000.00
27-Jun-2005	Blackboard Ventures Inc.	Global Catalyst Partners III, L.P. - Limited Partnership Interest	18,462,000.00	18,462,000.00
27-Jun-2005	Richard Stone Jayvee & Co. SFKF 112002 Stone 2005 Flow Through L.P.	Gryphon Petroleum Corp. - Flow-Through Shares	222,450.00	148,300.00
05-Jul-2005	Business Development Bank of Canada Axis Investment Fund Inc.	Infoterra Inc. - Debentures	1,595,568.51	2.00
23-Jun-2005	5 Purchasers	International PBX Ventures Ltd. - Units	31,500.00	70,000.00
29-Jun-2005	23 Purchasers	Ironhorse Oil & Gas Inc. - Units	4,197,974.40	1,311,867.00
29-Jun-2005	front Street Long/Short Income Fund	Jasper CLO Ltd. - Preferred Shares	3,678,900.00	3,000.00
30-Jun-2005	Gary Cook	Keeper Resources Inc. - Units	36,000.00	40,000.00

01-Jul-2005	HOPF-HFM Investments Ltd.	Mesirow Absolute Return Fund (Institutional) Ltd. - Shares	62,005,000.00	0.00
30-Jun-2005	11 Purchasers	Norrep Global Small Capitalization Limited Partnership - Limited Partnership Units	585,000.00	58,500.00
28-Jun-2005	Ontario Municipal Employees Retirement Board	OBH Acquisition Inc. - Notes	70,000,000.00	70,000,000.00
06-Jul-2005	1471159 Ontario Ltd. Fulcrum Small Cap L.P. #2	Ravenwood Energy Corp. - Common Shares	204,250.00	95,000.00
28-Jul-2005	CMR Associates Ltd.	Rock Well Petroleum Inc. - Units	50,000.00	100,000.00
21-Jun-2005	20 Purchasers	Run of River Power Inc. - Units	965,100.00	1,608,500.00
28-Jun-2005	4 Purchasers	San Gold Resources Corporation - Units	1,032,999.90	2,295,555.00
05-Jul-2005	3 Purchasers	Sea Green Capital Corp. - Common Shares	3.00	5,500,000.00
24-Jun-2005	43 Purchasers	Strategic Metals Ltd. - Preferred Shares	2,994,300.00	29,943.00
28-Jun-2005	136 Purchasers	Terra Income Fund - Trust Units	88,400.00	13,600.00
29-Jun-2005	3 Purchasers	Timbercreek Real Estate Investment Trust - Trust Units	2,702,600.00	275,171.00
29-Jun-2005	28 Purchasers	UEX Corporation - Shares	10,235,000.00	5,117,500.00
30-Jun-2005	Ray Taylor Neil C. Adamson	Viva Source Corp. - Special Warrants	60,000.00	150,000.00
30-Jun-2005	8 Purchasers	Vizible Corporation - Preferred Shares	462,969.00	275,576.00
08-Jul-2005	Margaret Gail Inglis	Zephyr Alternative Power Inc. - Convertible Debentures	80,000.00	1.00

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Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Canada Mortgage Acceptance Corporation
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated July 8, 2005
Mutual Reliance Review System Receipt dated July 11, 2005
Offering Price and Description:
$341,465,000.00 (approximate) - Mortgage Pass-Through Certificates, Series 2005-C3
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
TD Securities Inc.
CIBC World Markets Inc.
Promoter(s):
GMAC Residential Funding of Canada, Limited
Project #804910

Issuer Name:
Esprit Energy Trust
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated July 11, 2005
Mutual Reliance Review System Receipt dated July 11, 2005
Offering Price and Description:
$100,000,000.00 - 6.50% Convertible Extendible Unsecured Subordinated Debentures
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Scotia Capital Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
FirstEnergy Capital Corp.
Peters & Co., Limited
First Associates Investments Inc.
Promoter(s):
Esprit Exploration Ltd.
Project #805224

Issuer Name:
Harvest Energy Trust
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated July 11, 2005
Mutual Reliance Review System Receipt dated July 11, 2005
Offering Price and Description:
(1) $175,000,640.00 - 6,505,600 Subscription Receipts, each representing the right to receive one trust Unit and (2) $75,000,000.00 - 6.5% Convertible Extendible Unsecured Subordinated Debentures Subscription Receipts
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
TD Securities Inc.
CIBC World Markets Inc.
Scotia Capital Inc.
Canaccord Capital Corporation
GMP Securities Ltd.
Firstenergy Capital Corp.
Tristone Capital Inc.
Haywood Securities Inc.
Raymond James Ltd.
Promoter(s):
Bruce Chernoff
Kevin A. Bennett
Project #805233

Issuer Name:
Merrill Lynch Financial Assets Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated July 7, 2005
Mutual Reliance Review System Receipt dated July 7, 2005
Offering Price and Description:
$443,252,000 -
Commercial Mortgage
Pass-Through Certificates, Series 2005-Canada 16
Underwriter(s) or Distributor(s):
Merrill Lynch Canada Inc.
Promoter(s):
-
Project #804251

Issuer Name:
Newport Partners Income Fund
Principal Regulator - Ontario
Type and Date:
Amended and Restated Preliminary Prospectus dated July 7, 2005
Mutual Reliance Review System Receipt dated July 8, 2005
Offering Price and Description:
$ *-* Units Price: $10.00 per Unit
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
TD Securities Inc.
Newport Securities Inc.
Canaccord Capital Corporation
First Associates Investments Inc.
HSBC Securities (Canada) Inc.
Orion Securities Inc.
Research Capital Corporation
Desjardins Securities Inc.
Raymond James Ltd.
Promoter(s):
Newport Partners Inc.
Project #802656

Issuer Name:
STEPP Oil & Gas Income Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated July 6, 2005
Mutual Reliance Review System Receipt dated July 8, 2005
Offering Price and Description:
Maximum: $ * (* Units) Price: $10.00 per Unit Minimum Purchaser: 100 Units
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
BMO Nesbitt Burns Inc,
National Bank Fiancial Inc.
Scotia Capital Inc.
TD Securities Inc.
HSBC Securities (Canada) Inc.
Canaccord Capital Corporation
Desjardins Securities Inc.
Dundee Securities Inc.
First Associates Investments Inc.
Raymond James Ltd.
Wellington West Capital Inc.
Berkshire Securities Inc.
Research Capital Corporation
Richardson Partners Financial Limited
Promoter(s):
First Asset Funds Inc.
Project #804712

Issuer Name:
AMR TECHNOLOGIES INC.
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated July 7, 2005
Mutual Reliance Review System Receipt dated July 8, 2005
Offering Price and Description:
Cdn$65,000,000.00 - 32,500,000 Subscription Receipts each representing the right to receive one common share and one-half of one common share purchase warrant Price: Cdn$2.00 per Subscription Receipt
Underwriter(s) or Distributor(s):
GMP Securities Ltd.
FIRST ASSOCIATES INVESTMENT INC.
LOEWEN, ONDAATJE, MCCUTCHEON LIMITED
RBC DOMINION SECURITIES INC.
Promoter(s):
-
Project #796758

Issuer Name:
Caldwell Balanced Fund
Caldwell Income Fund
Caldwell Canada Fund
Caldwell America Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus dated July 5, 2005
Mutual Reliance Review System Receipt dated July 12, 2005
Offering Price and Description:
Mutual Fund Units @ Net Asset Value
Underwriter(s) or Distributor(s):
Caldwell Securities Ltd.
Caldwell Securities Ltd.
Promoter(s):
-
Project #788443

Issuer Name:
Cineplex Galaxy Income Fund
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated July 11, 2005
Mutual Reliance Review System Receipt dated July 11, 2005
Offering Price and Description:
(1) $110,043,500.00 - 6,835,000 Subscription Receipts, each representing the right to receive one trust unit; and (2) $105,000,000.00 - 6.0% Convertible Extendible Unsecured Subordinated Debentures Subscription Receipts
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
Scotia Capital Inc.
National Bank Financial Inc.
BMO Nesbitt Burns Inc.
TD Securities Inc.
Westwind Partners Inc.
Wellington West Capital Inc.
Genuity Capital Markets
Raymond James Ltd.
Promoter(s):
-
Project #803369

Issuer Name:
GGOF CANADIAN BOND FUND
GGOF CANADIAN DIVERSIFIED MONTHLY INCOME FUND
GGOF CANADIAN HIGH YIELD BOND FUND
GGOF CANADIAN MONEY MARKET FUND
GGOF FLOATING RATE INCOME FUND
GGOF MONTHLY DIVIDEND FUND LTD
GGOF MONTHLY HIGH INCOME FUND
GGOF MONTHLY HIGH INCOME FUND II
GGOF RSP GLOBAL BOND FUND (formerly GGOF RSP International Income Fund)
GGOF RSP U.S. MONEY MARKET FUND
GGOF U.S. DIVERSIFIED MONTHLY INCOME FUND
GGOF AMERICAN VALUE FUND LTD.
GGOF CANADIAN LARGE CAP VALUE FUND
GGOF DIVIDEND GROWTH FUND
GGOF GLOBAL VALUE FUND
GGOF JAPANESE VALUE FUND
GGOF AMERICAN GROWTH FUND
GGOF CANADIAN GROWTH FUND LTD
GGOF EUROPEAN GROWTH FUND
GGOF GLOBAL GROWTH FUND
GGOF ASIAN GROWTH AND INCOME FUND
GGOF CANADIAN BALANCED FUND
GGOF EMERGING MARKETS FUND
GGOF ENTERPRISE FUND
GGOF GLOBAL HEALTH SCIENCES FUND
GGOF GLOBAL SMALL CAP FUND
GGOF GLOBAL TECHNOLOGY FUND
GGOF RESOURCE FUND
GGOF RSP INTERNATIONAL BALANCED FUND
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated July 5, 2005
Mutual Reliance Review System Receipt dated July 7, 2005
Offering Price and Description:
Mutual Fund Units or Shares, Class Units or Shares, F Class Units or Shares and I Class units
Underwriter(s) or Distributor(s):
Jones Heward Investment Management Inc.
Guardian Group of Funds Ltd.
Promoter(s):
Guardian Group of Funds Ltd.
Project #795433

Issuer Name:
Heritage Plans (formerly Heritage Scholarship Trust Plans)
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated July 11, 2005
Mutual Reliance Review System Receipt dated July 12, 2005
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Heritage Education Funds Inc.
Promoter(s):
-
Project #794423

Issuer Name:
Impression Plan
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated July 11, 2005
Mutual Reliance Review System Receipt dated July 12, 2005
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #794453

Issuer Name:
Juniper Equity Growth Fund
Type and Date:
Final Simplified Prospectus dated July 5, 2005
Receipted on July 8, 2005
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #800534

Issuer Name:
OMC Capital Corporation
Principal Regulator - Alberta
Type and Date:
Final Prospectus dated July 6, 2005
Mutual Reliance Review System Receipt dated July 7, 2005
Offering Price and Description:
$200,000.00 - 1,000,000 common shares Price: $0.20 per common share
Underwriter(s) or Distributor(s):
First Associates Investments Inc.
Promoter(s):
Darryl J. Yea
Project #793556

Issuer Name:
Ontario Teachers' Group Money Market Fund
Ontario Teachers' Group Mortgage & Income Fund
Ontario Teachers' Group Diversified Fund
Ontario Teachers' Group Growth Fund
Ontario Teachers' Group Balanced Fund
Ontario Teachers' Group Dividend Fund
Ontario Teachers' Group Global Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated July 6, 2005
Mutual Reliance Review System Receipt dated July 7, 2005
Offering Price and Description:
Class A and Class B Units
Underwriter(s) or Distributor(s):
OTG Financial Inc.
Promoter(s):
OTG Financial Inc.
Project #790169

Issuer Name:
Powerstar International Inc.
Principal Regulator - Alberta
Type and Date:
Final Prospectus dated July 6, 2005
Mutual Reliance Review System Receipt dated July 8, 2005
Offering Price and Description:
MAXIMUM OFFERING: $1,742,500.00 (8,712,500 Common Shares); MINIMUM OFFERING: $1,200,000.00 (6,000,000 Common Shares) PRICE: $0.20 per Common Share
Underwriter(s) or Distributor(s):
Jennings Capital Inc.
Promoter(s):
G. Steven Price
Project #750794

Issuer Name:
Quadrus Cash Management Corporate Class
Quadrus Fixed Income Corporate Class
Quadrus Canadian Equity Corporate Class
Quadrus Canadian Specialty Corporate Class
Quadrus US and International Equity Corporate Class
Quadrus US and International Specialty Corporate Class
Quadrus Corporate Class Inc.
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated July 5, 2005
Mutual Reliance Review System Receipt dated July 6, 2005
Offering Price and Description:
Mutual Fund Shares at Net Asset Value
Underwriter(s) or Distributor(s):
Quadrus Investment Services Ltd.
Quadrus Investment Services Ltd.
Promoter(s):
Mackenzie Financial Corporation
Project #789130

Issuer Name:
Quadrus Fixed Income Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus dated July 5, 2005
Mutual Reliance Review System Receipt dated July 6, 2005
Offering Price and Description:
Mutual Fund Trust Units at Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
Mackenzie Financial Corporation
Project #789137

Issuer Name:
RBC Canadian Money Market Fund
RBC Canadian Short-Term Income Fund
RBC Bond Fund
RBC Advisor Canadian Bond Fund
RBC Global Corporate Bond Fund
RBC Global High Yield Fund
RBC Cash Flow Portfolio
RBC Enhanced Cash Flow Portfolio
RBC Balanced Fund
RBC Balanced Growth Fund
RBC Global Balanced Fund
RBC Select Conservative Portfolio
RBC Select Balanced Portfolio
RBC Select Growth Portfolio
RBC Select Choices Conservative Portfolio
RBC Select Choices Balanced Portfolio
RBC Select Choices Growth Portfolio
RBC Select Choices Aggressive Growth Portfolio
RBC Blue Chip Canadian Equity Fund
RBC Canadian Equity Fund
RBC U.S. Equity Fund
RBC European Equity Fund
RBC Global Titans Fund
RBC Global Communications and Media Sector Fund
RBC Global Consumer Trends Sector Fund
RBC Global Financial Services Sector Fund
RBC Global Health Sciences Sector Fund
RBC Global Industrials Sector Fund
RBC Global Resources Sector Fund
RBC Global Technology Sector Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated July 7, 2005
Mutual Reliance Review System Receipt dated July 12, 2005
Offering Price and Description:
Advisor Series and Series F Units
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
RBC Asset Management Inc.
RBC Asset Management Inc.
Promoter(s):
-
Project #786183

Issuer Name:
RESOLUTE GROWTH FUND
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectus dated July 6, 2005
Mutual Reliance Review System Receipt dated July 7, 2005
Offering Price and Description:
Mutual Fund Units @ Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
Resolute Funds Limited
Project #794448

Issuer Name:
Sun Life Financial Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated July 8, 2005
Mutual Reliance Review System Receipt dated July 8, 2005
Offering Price and Description:
$325,000,000.00 - 13,000,000 Class A Non-Cumulative Preferred Shares Series 2
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Scotia Capital Inc.
CIBC World Markets Inc.
TD Securities Inc.
HSBC Securities (Canada) Inc.
Merrill Lynch Canada Inc.
Promoter(s):
-
Project #801741

Issuer Name:
TD Canadian Government Bond Index Fund
TD International Growth Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated July 6, 2005 to Final Simplified Prospectuses and Annual Information Forms dated October 1, 2004
Mutual Reliance Review System Receipt dated July 8, 2005
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
TD Investment Services Inc.
TD Investment Services Inc.
Promoter(s):
TD Asset Management Inc.
Project #677882

Issuer Name:
TD International Growth Fund
TD Canadian Government Bond Index Fund
TD International Equity Fund
Principal Regulator – Ontario
Type and Date:
Amendment #1 dated July 6, 2005 to Final Simplified Prospectuses and Annual Information Forms dated October 1, 2004
Mutual Reliance Review System Receipt dated July 8, 2005
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
TD Investment Services Inc.
Promoter(s):
TD Asset Management Inc.
Project #680554

Issuer Name:
TD Managed Index Income Portfolio
TD Managed Index Income & Moderate Growth Portfolio
TD Managed Index Balanced Growth Portfolio
TD Managed Index Aggressive Growth Portfolio
TD Managed Index Maximum Equity Growth Portfolio
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated July 6, 2005 to Final Simplified Prospectuses and Annual Information Forms dated October 14, 2004
Mutual Reliance Review System Receipt dated July 8, 2005
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
TD Investment Services Inc.
Promoter(s):
TD Asset Management Inc.
Project #672152

Issuer Name:
UE WATERHEATER INCOME FUND
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated July 8, 2005
Mutual Reliance Review System Receipt dated July 8, 2005
Offering Price and Description:
$104,992,000.00 - 7,720,000 Subscription Receipts, each representing the right to receive one Unit Price: $13.60 per Subscription Receipt
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Genuity Capital Markets
RBC Dominion Securities Inc.
TD Securities Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
Promoter(s):
-
Project #802701

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	Desjardins Gestion Internationale D'Actifs Inc./Desjardins Global Asset Management Inc.	Limited Market Dealer, (Extra Provincial) Investment Counsel and Portfolio Manager & Commodity Trading Manager	July 6, 2005
New Registration	Mackenzie FSG International Limited	Limited Market Dealer	July 6, 2005
New Registration	Legent Clearing LLC	International Dealer	July 6, 2005

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 RS Notice - Market Regulation Services Inc. sets hearing date In the Matter of W. Scott Leckie to consider a Settlement Agreement

NOTICE TO PUBLIC

July 11, 2005

Subject: **Market Regulation Services Inc. sets hearing date In the Matter of W. Scott Leckie 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 Tuesday, July 19, 2005, commencing at 1:00 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 W. Scott Leckie ("Leckie").

The settlement with Leckie relates to Universal Market Integrity Rule ("UMIR") 2.2(2)(b) [Wash trading].

No details of the Settlement Agreement will be released prior to the July 19, 2005 hearing.

The Hearing Panel may accept or reject a Settlement Agreement 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 and in a news release.

Reference: Jane P. Ratchford
Chief Counsel, Eastern Region
Investigations and Enforcement
Market Regulation Services Inc.

Telephone: 416-646-7229

13.1.2 RS Notice - Market Regulation Services Inc. sets hearing date In the Matter of Zoltan Horcsok to consider a Settlement Agreement

NOTICE TO PUBLIC

July 11, 2005

Subject: **Market Regulation Services Inc. sets hearing date *In the Matter of Zoltan Horcsok* 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 Monday, July 18, 2005, commencing at 10:00 a.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 Zoltan Horcsok ("Horcsok").

The settlement with Horcsok relates to Universal Market Integrity Rules ("UMIR") 7.1(4) [Trading Supervision Obligations] and, 10.11(1) and 10.12(1) [Audit Trail Requirements].

No details of the Settlement Agreement will be released prior to the July 18, 2005 hearing.

The Hearing Panel may accept or reject a Settlement Agreement 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 and in a news release.

Reference: Jane P. Ratchford
Chief Counsel, Eastern Region
Investigations and Enforcement
Market Regulation Services Inc.

Telephone: 416-646-7229

13.1.3 RS Notice - Market Regulation Services Inc. sets hearing date In the Matter of Glen Grossmith to consider a Settlement Agreement

NOTICE TO PUBLIC

July 11, 2005

Subject: Market Regulation Services Inc. sets hearing date *In the Matter of Glen Grossmith* 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 Monday, July 18, 2005, commencing at 10:00 a.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 Glen Grossmith ("Grossmith").

The settlement with Grossmith relates to Universal Market Integrity Rules ("UMIR") 2.1(1)(a) [Just & Equitable Principles of Trade] and 10.11(1) [Audit Trail Requirements].

No details of the Settlement Agreement will be released prior to the July 18, 2005 hearing.

The Hearing Panel may accept or reject a Settlement Agreement 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 and in a news release.

Reference: Jane P. Ratchford
Chief Counsel, Eastern Region
Investigations and Enforcement
Market Regulation Services Inc.

Telephone: 416-646-7229

13.1.4 IDA Regulations 100.11 and 1900.1 – Over-the-counter options and definition of option

INVESTMENT DEALERS ASSOCIATION OF CANADA –

REGULATIONS 100.11 AND 1900.1 – OVER-THE-COUNTER OPTIONS AND DEFINITION OF OPTION

I Overview

A Current Rules

IDA Regulation 100.11 sets out the capital and margin requirements for over-the-counter (OTC) options. The requirements are intended to recognize the difference in risk between exchange traded American expiry options and over-the-counter traded European expiry options. Regulation 100.11 applies to all option positions other than those considered to be exchange-traded options, as set out in the definition of "option" in Regulation 1900.1.

IDA Regulation 1900.1 includes a definition for the term "option" which is referenced by Regulation 100.11.

B The Issue

A review of Regulation 100.11 has identified certain sections that are either redundant or are inconsistent with the recently implemented amendments to Regulation 100.9 and 100.10 with respect to positions in and offsets involving exchange-traded options. It was also determined that the definition for the term "option", a definition that is referenced by Regulation 100.11, needs to be updated to reflect changes in the names of the derivatives clearing corporations that issue and clear exchange traded options.

C Objective(s)

The objective of these amendments is to make Regulation 100.11 consistent with the recently implemented amendments to Regulation 100.9 and 100.10 with respect to positions in and offsets involving exchange-traded options.

D Effect of Proposed Rules

It is believed that the proposed amendments will have no impact in terms of capital market structure, competition, costs of compliance and conformity with other rules.

II Detailed Analysis

A Present Rules, Relevant History and Proposed Policy

Present Rules

The current rules for positions in and offsets involving OTC options have not been amended for a number of years. The current rules for positions in and offsets involving exchange-traded options have gone through a number of revisions since 1997, the year the IDA took over the administration of these rules from the Toronto Stock Exchange. As a result, a review of current rules for positions in and offsets involving OTC options, as set out Regulation 100.11, has identified certain sections that are now redundant or inconsistent with the margin and capital requirements for exchange traded options.

Redundant sections

Current Regulation 100.11(i) permits margin offsets for the purpose of hedging OTC options in the same manner as setout in Regulation 100.9 and 100.10 making Regulations 100.11(a), (b) and (c) redundant.

The Notes and Instructions to Schedule 4 of IDA Form 1 set out the margin requirements for accounts of customers that qualify as either acceptable institutions or acceptable counterparties, making Regulation 100.11(h) redundant.

Inconsistent sections

The requirements of current Regulations 100.11(a) and 100.11(b), which address the margining of long option and short options respectively, are inconsistent to the current requirements for exchange-traded options.

Definition of "option" needs to be updated

The definition for the term "option", a definition that is referenced by Regulation 100.11, needs to be updated to reflect changes in the names of the derivatives clearing corporations that issue and clear exchange traded options.

Proposed Policy

The proposed amendments seek to repeal the redundant sections and make the margin and capital requirements for OTC options substantially the same as those set out in Regulation 100.9 for customer account positions and in Regulation 100.10 for Member firm positions. The requirements for OTC and exchange traded options will continue to differ in some respects where one or more of the OTC option offset positions have a European expiry (i.e., the option can only be exercised on the expiry date of the option).

B Issues and Alternatives Considered

No other alternatives were considered.

C Comparison with Similar Provisions

A comparison with similar regulations in the United Kingdom and the United States was not considered necessary due to the nature of the proposed amendments.

D Systems Impact of Rule

It is believed that the proposed amendments will have no impact in terms of capital market structure, member versus non-member level playing field, competition generally, costs of compliance and conformity with other rules. The Bourse de Montréal is also in the process of passing this amendment. Implementation of this amendment will therefore take place once both the Association and the Bourse de Montréal have received approval to do so from their respective recognizing regulators.

E Best Interests of the Capital Markets

The Board has determined that these proposed amendments are not detrimental to the best interests of the capital markets.

F Public Interest Objective

According to subparagraph 14(c) of the IDA's Order of Recognition as a self regulatory organization, the IDA shall, where requested, provide in respect of a proposed rule change "a concise statement of its nature, purposes (having regard to paragraph 13 above) and effects, including possible effects on market structure and competition". Statements have been made elsewhere as to the nature and effects of this proposal. The purpose of the proposal is to:

- Standardize industry practices where necessary or desirable for investor protection;

The proposal does not permit unfair discrimination among customers, issuers, brokers, dealers, members or others. It does not impose any burden on competition that is not necessary or appropriate in furtherance of the above purposes.

The proposal is believed to be public interest as it is intended to modify the capital and margin requirements that apply to OTC option positions to make them consistent with the requirements that apply to exchange traded options.

III Commentary

A Filing in Other Jurisdictions

These proposed amendments will be filed for approval in Alberta, British Columbia, Ontario and Quebec and will be filed for information in Manitoba, Nova Scotia and Saskatchewan.

B Effectiveness

As indicated in the previous sections, the objective of these amendments is to make Regulation 100.11 consistent with the recently implemented amendments to Regulation 100.9 and 100.10 with respect to positions in and offsets involving exchange-traded options. It is believed that the proposal will be effective for this purpose.

C Process

These proposed amendments have been developed and recommended for approval by the FAS Capital Formula Subcommittee and have been recommended for approval by the FAS Executive Committee and the Financial Administrators Section.

IV Sources

References:

- IDA Regulations 100.11 and 1900.1

V OSC Requirement to Publish for Comment

The IDA is required to publish for comment the accompanying amendments.

The Association has determined that the entry into force of the proposed amendments would be in the public interest. Comments are sought on the proposed. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Arif Mian, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Arif Mian
Specialist Regulatory Policy,
Investment Dealers Association of Canada
Suite 1600, 121 King West
Toronto, Ontario
M5H 3T9
Tel: 416-943-4656
E-mail: amian@ida.ca

Jane Tan, MBA
Information Analyst, Regulatory Policy,
Investment Dealers Association of Canada
Suite 1600, 121 King West, Toronto,
Ontario M5H 3T9
Tel: 416-943-6979
E-mail: jtan@ida.ca

INVESTMENT DEALERS ASSOCIATION OF CANADA

REGULATIONS 100.11 AND 1900.1 – OVER-THE-COUNTER OPTIONS AND DEFINITION OF OPTION

Board Resolution

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. Regulation 100.11 is amended by inserting the following text at the beginning of the section:

   "(a) For the purposes of this Regulation 100.11:

   (i) the terms "customer account", "firm account", and "underlying interest" mean the same as set out in Regulation 100.9(a).

   (ii) the term";

2. Regulation 100.11 is amended by repealing the following text after revised paragraph (a):

   " "underlying interest" means

   (i) in the case of an equity, participation unit or bond option, the security, or

   (ii) in the case of an index option, the index that is the subject of the option."

   and by repealing former paragraphs (a) through (c);

3. Regulation 100.11 is amended by adding new paragraphs (b) to (d) as follows:

   "(b) **Customer accounts - positions in and offsets involving over-the-counter options**

   For customer accounts, the margin requirements for positions in and offsets over-the-counter options are the same as the margin requirements for Options set out in Regulations 100.9.(b) through 100.9.(g), subject to the limitations for offsets set out in Regulation 100.11.(d).

   (c) **Firm accounts - positions in and offsets involving over-the-counter options**

   For Member inventory and other firm accounts, the capital requirements for positions in and offsets involving over-the-counter options are the same as the capital requirements for Options set out in Regulations 100.10.(b) through 100.10.(g), subject to the limitations for offsets set out in Regulation 100.11.(d).

   (d) **Limitations on Offsets**

   In the case of spreads involving European exercise over-the-counter options:

   (i) a margin offset is permitted where the spread consists of a long and short European exercise option and the contracts have the same expiration date; and

   (ii) a margin offset is permitted where the spread consists of a short European exercise option and long American exercise option; however

   (iii) a margin offset is not permitted where the spread consists of a long European exercise option and a short American exercise option."

4. Regulation 100.11 is amended by renumbering former paragraphs (d) through (g) as revised paragraphs (e) through (h).

5. Regulation 100.11 is amended by repealing former paragraphs (h) and (i);

6. Regulation 100.11 is amended by renumbering former paragraphs (j) through (l) as revised paragraphs (i) through (k).

7. Regulation 1900.1 is amended by replacing within the definition of the term “option” the text “Trans Canada Options Inc., Intermarket Services Inc.” with the text “the Canadian Derivatives Clearing Corporation” and the text “Board of Directors” with the word “Association” under the definition of “option”.

PASSED AND ENACTED BY THE Board of Directors this 26th day of June 2005, to be effective on a date to be determined by Association staff.

INVESTMENT DEALERS ASSOCIATION OF CANADA

REGULATIONS 100.11 AND 1900.1 – OVER-THE-COUNTER OPTIONS AND DEFINITION OF OPTION

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Regulation 100.11 – Amendments #1 through #6

100.11. Over-the-Counter Options -

(a) For the purposes of this Regulation 100.11:

(i) the terms "customer account", "firm account", and "underlying interest" mean the same as set out in Regulation 100.9(a).

(ii) the term "over-the-counter option" means an option, other than an option described in Regulation 1900.1;[1]

"underlying interest" means

(i) In the case of an equity, participation unit or bond option, the security, or

(ii) in the case of an index option, the index that is the subject of the option.

(a) **Client Account** All purchases of over the counter options for client accounts shall be for cash. For the purposes of this Regulation 100.11, a client account is an account in which the Member, a related company of the Member or any partner, director, officer or employee of the Member does not have an interest, direct or indirect, other than an interest in the commission charged.

(b) **Firm Accounts**

(i) The charge to capital for a long call and for a long put where the over-the-counter option's premium is less than $1.00 shall be the market value of the option.

(ii) The charge to capital for a long call where the over-the-counter option's premium is $1.00 or more, and which is not used to offset capital required on any other position, shall be the market value of the call, less 50% of the excess of the market value of the underlying interest over the exercise price of the call.

(1) The charge to capital for a long put where the over-the-counter option's premium is $1.00 or more, and which is not used to offset capital required on any other position, shall be the market value of the put, less 50% of the excess of the exercise price of the put over the market value of the underlying interest.

(c) **Short Positions**

Subject to sub sections (g) and (h), the minimum margin for short positions in over-the-counter options shall be as follows:

(i) In the case of a short over-the-counter option position, other than a futures contract option position, the minimum margin shall be

(A) 100% of the current premium of the short over-the-counter options,

(B) plus the product of multiplying the margin rate of the underlying interest by the market value of the underlying interest;

(C) less any out of the money amount.

(ii) Notwithstanding paragraph (i), in the case of a short over-the-counter option position in a client account the minimum margin shall not be less than

(A) 100% of the current premium of the option,

---

[1] Note: Writing over-the-counter options constitutes distribution of securities for which a prospectus may be required or for which specific or blanket exemptive relief may be necessary under the applicable securities legislation. The writer of over-the-counter options may, in effect, be an issuer distributing securities and so should accordingly ensure that such distribution is in compliance with applicable securities legislation.

~~(B) plus 25% of the product of multiplying the margin rate of the underlying interest by the market value of the underlying interest.~~

(b) **Customer Accounts - Positions in and Offsets involving Over-the-Counter Options**

For customer accounts, the margin requirements for positions in and offsets over-the-counter options are the same as the margin requirements for Options set out in Regulations 100.9.(b) through 100.9.(g), subject to the limitations for offsets set out in Regulation 100.11.(d).

(c) **Firm Accounts - Positions in and Offsets involving Over-the-Counter Options**

For Member inventory and other firm accounts, the capital requirements for positions in and offsets involving over-the-counter options are the same as the capital requirements for Options set out in Regulations 100.10.(b) through 100.10.(g), subject to the limitations for offsets set out in Regulation 100.11.(d).

(d) **Limitations on Offsets**

In the case of spreads involving European exercise over-the-counter options:

(i) a margin offset is permitted where the spread consists of a long and short European exercise option and the contracts have the same expiration date; and

(ii) a margin offset is permitted where the spread consists of a short European exercise option and long American exercise option; however

(iii) a margin offset is not permitted where the spread consists of a long European exercise option and a short American exercise option.

~~(d)~~(e) Over-the-counter option positions in inventory or in a client account shall be marked to the market daily by calculating the value on a basis consistent with the valuation benchmark or mathematical model used in determining the premium at the time the contract was initially entered.

~~(e)~~(f) Where the Member is a party to an over-the-counter option, the counter-party to the option shall be considered a client of the Member.

~~(f)~~(g) All opening short transactions in over-the-counter options must be carried in a margin account.

~~(g)~~(h) (i) The following constitute adequate margin for over-the-counter options:

(A) a specific deposit of the underlying interest in negotiable form in the client's margin account with the Member, or

(B) the deposit with the Member in an escrow receipt, as defined in subsection (ii), in respect of the underlying interest.

(ii) Evidence of a deposit of an over-the-counter option's underlying interest shall be deemed an escrow receipt for the purposes hereof if the underlying interest is held pursuant to an escrow agreement by a custodian that is a depository, both of which are acceptable to the Vice-President, Financial Compliance.

(iii) The requirements of this subsection apply, regardless of any otherwise available margin reduction or margin offset, in the following circumstance:

(A) where an over-the-counter option is written by a client that is not an Acceptable Institution, Acceptable Counter-party or Regulated Entity (as defined in Form 1),

(B) where the terms of the over-the-counter option require settlement by physical delivery of the underlying interest, and

(C) where a margin rate less than 100% for the underlying interest has not been established under the Regulations.

~~**(h) Financial Institutions**~~

~~(i) No margin is required for over-the-counter options entered into by a client that is an Acceptable institution (as defined in Form 1)~~

~~(ii) Where the client is an Acceptable Counter party or Regulated Entity (as defined in Form 1), the required margin shall be the market value deficiency calculated in respect of the option position on an item by item basis.~~

~~**(i) Margin Offsets**~~

~~(i) Except as otherwise provided in this subsection, clients, as defined in subsection (e), and Members are permitted margin offsets for the purpose of hedging over-the-counter options in the same manner as set out in Regulations 100.9 and 100.10, provided that the underlying interest is the same.~~

~~(ii) In the case of spreads involving European exercise over-the-counter options,~~

~~(A) a margin offset is permitted where the spread consists of a long and short European exercise option and the contracts have the same expiration date; and~~

~~(B) a margin offset is permitted where the spread consists of a short European exercise option and long American exercise option; however~~

~~(C) a margin offset is not permitted where the spread consists of a long European exercise option and a short American exercise option.~~

~~(j)~~(i) Consistent with listed options, Members are permitted to apply the premium credit generated on over-the-counter options against the margin required pursuant to this Regulation.

~~(k)~~(j) **Margin Agreements**

Members writing and issuing or guaranteeing over-the-counter options on behalf of a customer shall have and maintain with each customer a margin agreement in writing defining the rights and obligations between them in regard to over-the-counter options or have and maintain supplementary over-the-counter option agreements with customers selling such options.

~~(l)~~(k) **Confirmation, Delivery and Exercise**

(i) Every over-the-counter option shall be confirmed in writing as between the parties, such confirmation to be mailed or delivered on the day of the transaction.

(ii) Payment for an over-the-counter option, settlement, exercise and delivery shall be made in accordance with the terms of the over-the-counter contract.

Regulation 1900.1 – Amendment #7

1900.1. For the purposes of this Regulation 1900, unless the subject matter or content otherwise requires:

"**option**" means a call option or put option issued by ~~Trans Canada Options Inc., Intermarket Services Inc.,~~ the Canadian Derivatives Clearing Corporation, the Options Clearing Corporation, ~~Intermarket Clearing Corporation~~, ~~International Options Clearing Corporation~~ or any other corporation or organization recognized by the ~~Board of Directors~~Association for the purposes of this Regulation but "option" does not include a futures contract or futures contract option as defined in Regulation 1800.1.

13.1.5 IDA Amendments to Policy 5

INVESTMENT DEALERS ASSOCIATION OF CANADA –

AMENDMENTS TO POLICY 5

I OVERVIEW

A Current Rules

Policy 5 sets standards for participants in the wholesale debt market, including requirements for firm standards and procedures, dealings with customers and counterparties, market conduct and enforcement.

B The Issues

Policy 5 has been found by Members to be too general to serve as the basis for compliance and supervision systems because of a lack of specificity about what constitutes improper conduct in the fixed income markets.

Policy 5 comments on the applicability of its principles to debt market participants that are not IDA Members. While such commentary was made to assist the Bank of Canada and Department of Finance, it is outside the jurisdiction of the Association to apply its policies to non-Members.

Policy 5 contains numerous references to other IDA By-laws and Regulations, which references are duplicative.

Policy 5 is directed solely at the wholesale (institutional) debt market. A similar policy is needed to govern the retail fixed income market.

C Objective

The objective of the amendment is to remove from the policy and place in the Preface commentary on standards for other market participants, be more specific about the types of market activity that are improper, remove duplicative references to other IDA By-laws and Regulations, and add standards applicable to the retail fixed income market.

D Effect of Proposed Rules

The proposed amendments make more specific the expected standards of compliance and types of market activity deemed to be improper.

The proposed amendments retain in the Preface the history and purpose of Policy 5 and the expectations of the Bank of Canada and Department of Finance regarding compliance with the policy by other fixed income market participants. They will thus enable the Bank of Canada and Department of Finance to continue to use Policy 5 as a guide to their expectations regarding primary dealers and government securities distributors.

The proposed amendments make clear the standards of conduct expected of Members participating in the retail fixed income market.

II DETAILED ANALYSIS

A Present Rules, Relevant History and Proposed Policy

Policy 5 was originally drafted by a sub-committee of the Capital Market Committee and the Bank of Canada Jobbers Committee.

In 2001 the Association and the Canadian Securities Administrators retained Deloitte and Touche to conduct a survey of fixed income market participants. The report on the survey, dated August 9, 2002, noted that Policy 5 was seen by most participants as sufficient for the regulation of the institutional fixed income market, but recommended that a process be put in place for ensuring that it is kept up-to-date.

The report also noted a consensus that reform is needed in the retail debt market, caused in part by a lack of transparency that can lead to unreasonable prices or mark-ups, lack of understanding of the market by retail investors and the inability of retail investors to protect their own interests.

As a follow-up to the survey, in 2003 the IDA Sales Compliance Department retained a consultant to assist in drafting a review program regarding debt market activity, and conducted reviews of 5 Members using the resulting program. With regard to Policy 5, the reviews looked at the following:

- Familiarity of the Member and its debt market department staff with its contents;
- Extent and contents of related, firm specific policies and procedures, with particular attention to the definition of prohibited practices such as frontrunning;
- Enforcement of Policy 5 and related policies and procedures.

The reviews found that while the four institutional firms were familiar with Policy 5 and had in three cases incorporated it into their policies, procedures and codes of conduct, none had defined what constitutes improper market activity mentioned in the policy such as market manipulation and frontrunning. The reviews also found a lack of a common understanding of what constitutes improper debt market activity, combined with a belief that the market is self-policing that the Bank of Canada is likely to catch any improper trading. The report recommended that Policy 5 be revised to bring more specificity to the types of conduct in the fixed income market that would be considered improper and that both debt market and compliance experts be involved.

The reviews found a general lack of controls and information barriers between fixed income trading departments and government and corporate fixed income underwriting departments.

The reviews of retail fixed income activity found that the Members set prices based on the institutional market. Not all of the Members reviewed had mark-up and mark-down guidelines; one had such guidelines but did not conduct reviews to ensure that they were complied with.

Following the recommendations resulting from the reviews, in 2004 the Policy 5 Review Committee, comprised of representatives from the Capital Markets Committee and the Compliance and Legal Section, was formed to review and revise Policy 5. The Bank of Canada and Department of Finance were subsequently asked to provide assistance to ensure that the revised policy continues to meet their needs.

The major proposed changes are as follows:

- Former Sections 1.1: “Purpose” and 1.3: “Application” have been moved to the Preface because they deal with the involvement of the Bank of Canada and Department of Finance and the broader involvement of other participants in the institutional fixed income markets.
- A section “Implementation and Compliance Expectations” was added to the Preface and includes parts of former Section 1.3 “Association and Other Regulations, Laws, etc.”
- A section headed “Implementation and Compliance Expectations” was added to the Preface, containing material formerly in the policy itself referring to other IDA Regulations and possible penalties. This section was designed to include the references that several Members preferred to have remain as reminders to fixed income traders who are required to review Policy 5 in training sessions or on an annual basis.
- Former sections 4.3: “Manipulative Practices”, 4.4: “Bribes, Illegal Payments, etc.” and 4.6: “Misrepresentations and False Remarks” were incorporated in a new section, 4.3: “Prohibited Practices” and former section 4.5: “Criminal and Regulatory Offences” became section 4.2. Section 4.3 contains a more specific list of offences, including types of specific activity that constitute fraudulent, deceptive or manipulative practices or takes unfair advantage of customers, counterparties or material non-public information.

Policy 5B contains a definition of retail customer, being any customer that is not an institutional customer under proposed IDA Policy 4, which is awaiting CSA approval. It then reiterates those provisions of the revised Policy 5 that are applicable to retail debt trading, including such of the prohibited practices from Section 4.3 of revised Policy 5 that could be conducted in the retail fixed income market.

Policy 5B also contains Section 3: “Commissions and Mark-Ups” requiring Members to have written guidelines on mark-ups and commissions for fixed income products and to have monitoring systems to ensure that any mark-ups or commissions exceeding those guidelines are justified.

B Issues and Alternatives Considered

The Retail Fixed Income Subcommittee considered whether to implement specific mark-up limitations. Both the Policy 5 Review Committee and the Retail Fixed Income Subcommittee considered whether to include a specific best execution obligation in Policy 5 and Policy 5B.

The Committee decided not to implement mark-up limitations as the Association has not regulated compensation for services since the elimination of fixed commission rates. While disclosure of mark-ups may be an issue, the Committee considered that it would be dealt with in the CSA/SRO Registration Project which is implementing many of the recommendations of the Fair Dealing Model.

With regard to best execution, both committees believe that a best execution obligation is implicitly included in the "duty to deal fairly" sections of Policy 5 and Policy 5B and that further specific provisions better defining the nature of the best execution obligation should await the completion of the current CSA project looking at the best execution issue on a broader basis.

C Comparison with Similar Provisions

There are no similar provisions.

D Systems Impact of Rule

Some Members may have to build systems to track retail fixed income mark-ups and identify exceptions to their mark-up policies.

E Best Interests of the Capital Markets

The Board has determined that the public interest Rule is not detrimental to the best interests of the capital markets.

F Public Interest Objective

The proposal is designed to ensure the integrity of the fixed income markets.

The proposal does not permit unfair discrimination among customers, issuers, brokers, dealers, members or others. It does not impose any burden on competition that is not necessary or appropriate in furtherance of the above purposes.

III COMMENTARY

A Filing in Other Jurisdictions

These proposed amendments will be filed for approval in Alberta, British Columbia, Ontario and Quebec and will be filed for information in Nova Scotia and Saskatchewan.

B Effectiveness

The proposed amendments will continue to provide the guidance of the previous Policy 5, while giving Members more specific direction on what constitutes improper market behaviour. The proposed amendments will also extend the principles of the policy to the retail debt market, providing increased protection to participants in that market.

C Process

The revisions to Policy 5 were made by a joint subcommittee of the Capital Markets Committee and the Compliance and Legal Section, with consultation with the Bank of Canada and Department of Finance. It has been reviewed by the Capital Markets Committee and the Compliance and Legal Section.

Policy 5B was developed by a subcommittee of the Compliance and Legal Section. It has been reviewed by the Compliance and Legal Section and the Retail Sales Committee.

IV SOURCES

References:

- Deloitte & Touche, "IDA/CSA Market Survey on Regulation of Fixed Income Markets", July 16, 2002

- IDA, “Debt Market Review Project: Review of IDA Member Firms, Final Summary Report”, July 28, 2003
- IDA Policy 5

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying amendment.

The Association has determined that the entry into force of the proposed amendment would be in the public interest. Comments are sought on the proposed amendment. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Wendyanne D’Silva, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Lawrence N. Boyce
Vice President, Sales Compliance and Registration
Investment Dealers Association of Canada
121 King Street West, Suite 1600
Toronto, Ontario M5H 3T9
lboyce@ida.ca

INVESTMENT DEALERS ASSOCIATION OF CANADA

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada (IDA) hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

Policy 5 is repealed and replaced as follows:

POLICY NO. 5

CODE OF CONDUCT FOR IDA MEMBER FIRMS TRADING IN DOMESTIC DEBT MARKETS

PREFACE

Purpose

Policy No. 5 describes the standards for trading by market participants in wholesale domestic Canadian debt markets. This IDA policy was developed jointly with the Bank of Canada and Department of Finance to ensure the integrity of Canadian debt securities markets and thereby to encourage liquidity, efficiency and the maintenance of active trading and lending and promote public confidence in such debt markets.

History

In the spring of 1998 the Bank of Canada and Department of Finance introduced several initiatives, in consultation with the Investment Dealers Association and other market participants, to maintain a well-functioning market in Government of Canada securities.

These actions were prompted by what was perceived as potential challenges to the liquidity and integrity of debt markets, including such factors as declining benchmark issue size in response to falling government borrowing requirements, the predominance of heavily capitalized market-makers and the emergence of levered market participants.[a]

The federal government has defined its jurisdiction over domestic debt markets as the new issue or primary markets for Government of Canada securities. Since the liquidity and integrity of secondary markets are also at risk from reduced issue size, and capitalized and levered market participants, the Investment Dealers Association worked with the Bank of Canada and Department of Finance to develop a formal code of conduct for dealing practices in wholesale (i.e. institutional) domestic debt markets. This code of business conduct is embodied for IDA Members in IDA Policy No. 5, and is intended by the participants in its development to be applicable in principle to all participants in wholesale domestic markets. It complements the federal government's objective to safeguard the liquidity and integrity of domestic markets.

The IDA and the Provincial securities regulatory authorities (collectively the Canadian Securities Administrators (CSA)) also have in place specific and general rules that regulate domestic secondary market trading carried out by IDA member firms. Policy No. 5 provides further amplification and, in some cases, broader application of these rules in relation to domestic debt markets.

In 2002 the CSA and IDA conducted, through an independent consultant, a survey of domestic debt market participants, including Members, to determine whether they were encountering any problems in the debt market. The survey was followed by reviews of a number of IDA Members by Association Staff to further delineate the issues, one of which was the difficulty of developing operational and supervisory procedures from the general provisions of Policy No. 5. In 2004 the IDA struck a committee to revise Policy 5. That committee has worked with the Bank of Canada and the Department of Finance to develop this version of Policy No. 5.

Application

While IDA Policy No. 5 applies directly only to IDA member firms and their related companies (as defined in By-law 1.1), which play an active and integral role in domestic debt markets, this code of conduct should also guide the actions of all other market participants. Examples of such market participants are chartered banks, which play a role in the marketplace analogous to IDA member firms, insurance companies, money managers, pension funds, mutual funds and hedge funds. The Bank of Canada and the Department of Finance are joining the Association in taking steps to make these institutions aware of the IDA code of

[a] New auction rules (www.bankofcanada.ca/en/auct.htm#rules) were developed to set out the administrative and reporting procedures for Primary Dealers and Government Securities Distributors, and for their clients bidding at auctions for Government of Canada treasury bills and bonds. There were also revisions to the Terms of Participation, which defines the nomenclature for IDA member firms and chartered banks eligible to bid at Government of Canada securities auctions and the rules and responsibilities governing these designated Primary Dealers and Government Securities Distributors.

conduct and encourage them to adopt and enforce similar rules. Members should also promote the standards established in this Policy among their affiliates, customers, and counterparties.

Aspects of the Policy require the co-operation of affiliates and customers of Members, for example in reporting and certain disclosure, and Members are expected to conduct their business in a way that will encourage compliance with the Policy by affiliates, customers and counterparties to the extent applicable.

Moreover, dealings between Members, their related companies, affiliates, customers and other counterparties must be on terms which are consistent with this Policy and such dealings shall be deemed to include any terms necessary for a party to implement or comply with this Policy. Members must not condone or knowingly facilitate conduct by their affiliates, customers or counterparties that deviates from this Policy and its purpose of maintaining and promoting public confidence in the integrity of the Domestic Debt Market. Subject to Applicable Law, the surveillance provisions of this Policy require reporting to the Association or appropriate authorities of the failure, or suspected failure, of Members, their affiliates, customers and counterparties to comply with this Policy.

Members generally are responsible for the conduct of their partners, directors, officers, registrants and other employees and compliance by such persons with the Rules of the Association pursuant to By-law 29.1. In addition, partners, directors, officers, registrants and other employees of Members and their related companies are expected to comply with the Rules of the Association and other regulatory requirements, and this Policy is to be construed as being applicable to related companies and such persons whenever reference is made to a Member.

Implementation and Compliance Expectations

Policy No 5 sets out specific requirements for dealing with customers and counterparties, including that customer dealings be carried out on a confidential basis, and standards related to market conduct. As with all IDA By-laws, Regulations and Policies, the Association expects member firms that are involved in wholesale domestic debt markets to have in place written policies and procedures relating to their dealings with customers and trading.[b] Such policies and procedures must address both Policy 5 and all other IDA and CSA regulations related to the Member's whole domestic debt market activities. These policies and procedures must be readily available to relevant employees, who must be properly trained and qualified. Internal controls and operating systems must be in place to support compliance.

The Association will audit Member's sales and trading activities in the Domestic Debt Markets to ensure compliance with this Policy.

The Policy also provides for 'on demand' reporting to the Association of large securities positions held by dealers or traded with customers, if market circumstances warrant the need for such information.

The terms of the Policy are binding on Members and all related companies of Members and failure to comply with the Policy may subject a Member, a related company or their personnel to sanctions pursuant to the enforcement and disciplinary By-laws of the Association. The disciplinary Rules of the Association provide for a wide range of sanctions, including fines of up to the greater of $5,000,000 per offence for Members ($1,000,000 per offence for Approved Persons) or triple the amount of the benefit from the breach, reprimands, suspension or termination of approval or expulsion. Notice of such sanctions is given to the public and government and other regulatory authorities in accordance with the Rules. In addition, other government or regulatory authorities such as the Bank of Canada, Department of Finance (Canada) or provincial securities regulatory authorities may, in their discretion, impose formal or informal sanctions including, in the case of Government of Canada securities, the suspension or removal by the Bank of Canada of eligible bidder status for auctions of such securities.

The Policy, together with applicable securities legislation, the auction rules and Terms of Participation for Primary Dealers and Government Securities Distributors, will ensure proper conduct of market participants at auctions of Government of Canada securities, in other primary markets and in secondary markets, and will result in the close coordination between federal authorities, the CSA, IDA member firms and Association staff in the exchange of detailed market information and the enforcement of proper market conduct.

[b] See also IDA By-law 29.27.

POLICY NO. 5

TRADING IN DOMESTIC DEBT MARKETS

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1. DEFINITIONS

The following terms used in this Policy shall have the meanings indicated:

"Applicable Laws" means the common or civil law or any statute or regulation of any jurisdiction in which Members and their related companies trade in the Domestic Debt Market, or any rule, policy, regulation, directive, order or other requirement of any regulatory authority, exchange or self-regulatory organization applicable to trading in, or having jurisdiction over, the Domestic Debt Market and/or Members or their related companies.

"Domestic Debt Market" means any Canadian wholesale debt market in which Members participate as dealers on their own account as principal, as agent for customers, as primary distributors or jobbers as approved by the Bank of Canada or in any other capacity and in respect of any debt or fixed income securities issued by any government in Canada or any Canadian institution, corporation or other entity or any derivative instruments thereon, and includes, without limitation, repo, security lending and other specialty or related debt markets.

"Rules" means the Constitution, By-laws, Regulations, Rulings, Policies and Forms of the Investment Dealers Association of Canada, from time to time in effect.

2. MEMBER STANDARDS AND PROCEDURES

2.1 Policies and Procedures

Members shall have written policies and procedures relating to trading in the Domestic Debt Market and the matters identified in this Policy. Such policies and procedures shall be approved by the board of directors of the Member or an appropriate level of senior management and by the Association. The policies and procedures must be established and implemented by senior management and must be periodically reviewed to ensure that they are appropriate to the size, nature and complexity of the Member's business and remain appropriate as such business and market circumstances change.

2.2 Responsibility

Members shall ensure that all personnel engaged in Members' trading activities in the Domestic Debt Market are properly qualified and trained, are aware of all Applicable Laws, this Policy and internal policies and procedures relating to Domestic Debt Market Trading and are supervised by appropriate levels of management.

2.3 Controls and Compliance

Members shall maintain and enforce internal control and compliance procedures as part of the policies and procedures required in paragraph 2.1 above to ensure that trading in Domestic Debt Markets by the Member is in accordance with Applicable Laws and this Policy.

2.4 Confidentiality

Members shall ensure that dealings in the Domestic Debt Market with customers and counterparties is on a confidential basis. Except with the express permission of the party concerned or as required by Applicable Law or Rules (including requests for information or reporting by the Association or by the Bank of Canada), Members shall not disclose or discuss, or request that others disclose or discuss, the participation of any customer or counterparty in the Domestic Debt Market or the terms of any trading or anticipated trading by such customer or counterparty. In addition, Members shall ensure that their own trading activities are kept confidential including information with respect to customers and trading and planning strategies. The policies and procedures adopted to ensure confidentiality should restrict access to information to the personnel that require it to properly perform their job functions, confine trading to "restricted access" office areas by designated personnel and encourage the use of secure forms of communications and technology (e.g. careful use of cell or speaker phones, secure systems access and close supervision).

2.5 Resources and Systems

Members must devote adequate human, financial and operational resources to their trading activities in the Domestic Debt Market. Further, Members must implement operation and technological safeguards to ensure that their trading activities in the Domestic Debt Markets can be fully supported. This requirement contemplates not only that the Member have sufficient capital, liquidity support and personnel, but also that it have comprehensive operational systems appropriate for Domestic Debt Market trading such as all aspects of risk management (market, credit, legal, etc.), transaction valuation, technology and financial reporting.

3. DEALINGS WITH CUSTOMERS AND COUNTERPARTIES

3.1 Know-Your-Client and Suitability

Members must learn the essential facts about every customer, order and account accepted and to ensure the suitability of investment recommendations made to a customer. This applies to Members dealing with all customers that trade in the Domestic Debt Market. IDA Policy 4 establishes minimum standards of supervision necessary to ensure compliance with Regulation 1300.1 in dealings with institutional clients and will be applicable to dealings with customers in the Domestic Debt Market.

3.2 Conflicts of Interest

Good business conduct as well as provisions of the other Rules of the Association and Applicable Law require that Members avoid conflicts of interest in their dealings with customers, counterparties and the public. Such conflicts can arise in many different circumstances but one of the underlying principles is that a fair, efficient and liquid Domestic Debt Market relies in part on open and unbiased dealings by Members, and fulfillment by Members of their duties to customers before their own interests or those of their personnel. The policies and procedures of Members should clearly describe the standards of conduct for Members and personnel. Examples of some of the matters to be included in the policies and procedures are restrictions and controls for trading in the accounts of Members' personnel, prohibition of the use of inside information and practices such as front running, fair client priority and allocation standards and prompt and accurate disclosure to customers and counterparties where any apparent but unavoidable conflict of interest arises.

4. MARKET CONDUCT

4.1 Duty to Deal Fairly

Members must observe high standards of ethics and conduct in the transaction of their business and prohibit any business conduct or practice which is unbecoming or detrimental to the public interest. Members must act fairly, honestly and in good faith when marketing, entering into, executing and administering trades in the Domestic Debt Market.

4.2 Criminal and Regulatory Offences

Members shall ensure that their trading in the Domestic Debt Market does not contravene any Applicable Law including, without limitation, money laundering, criminal or provincial securities legislation or the directions or requirements of the Bank of Canada or the Department of Finance (Canada) whether or not such directives or requirements are binding or have the force of law.

4.3 Prohibited Practices

Without limiting the generality of the foregoing, no Member or partner, officer, director, employee or agent of a Member shall:

(a) engage in any trading practices in the Domestic Debt Market that are fraudulent, deceptive or manipulative; such as

- (1) executing trades which are primarily intended to artificially increase trading volumes;
- (2) executing trades which are primarily intended to artificially increase or decrease trading prices;
- (3) spreading, or acquiescing or assisting in the spreading, of any rumours or information regarding issuers or the Domestic Debt Market that the Member or partner, director, officer, employee or agent of the Member knows or believes, or reasonably ought to know or believe, to be false or misleading;
- (4) disseminating any information that falsely states or implies governmental approval of any institution or trading; or
- (5) conspiring or colluding with another market participant to manipulate or unfairly deal in the Domestic Debt Market.

(b) engage in any trading which takes unfair advantage of customers, counterparties or material non-public information, such as:

(1) acting on specific knowledge of a new issue or client order in such a way as to unfairly profit from the expected resultant market movement and/or distort market levels;

(2) executing proprietary trades ahead of client orders on the same side of the market without first disclosing to the client the intention to do so and obtaining the client's approval;

(3) using proprietary information, the release of which could reasonably be expected to affect market prices, to profit unfairly;

(4) using material, non public information which may reasonably be expected to affect prices in the Domestic Debt Market, for gain; or

(5) abusing market procedures or conventions to obtain an unfair advantage over, or to unfairly prejudice, its counterparties or customers;

(6) consummating a trade where the price is clearly outside the context of the prevailing market and has been proposed or agreed as a result of manifest error.

(c) engage in any trading in derivatives on Domestic Debt Market instruments in contravention of the above prohibitions;

(d) accept any order from or effect any trade with another Domestic Debt Market participant if the Member knows or has reasonable grounds to believe that the other participant is, by giving the order or conducting the trade, contravening this Policy 5 or any Applicable Laws;

(e) accept or permit any associate to accept, directly or indirectly, any material remuneration, benefit or other consideration from any person other than the Member or its affiliates or its related companies, in respect of the activities carried out by such partner, officer, director, employee or agent on behalf of the Member or its affiliates or its related companies in connection with the sale or placement of securities on behalf of any of them;

(f) give, offer or agree to give or offer, directly or indirectly, to any partner, director, officer, employee, shareholder or agent of a customer, or any associate of such persons, a material advantage, benefit or other consideration in relation to any business of the customer with the Member, unless the prior written consent of the customer has first been obtained.

4.4 Market Conventions and Clear Communication

Members shall use clear and unambiguous language in course of their trading activities, particularly when negotiating trades on the Domestic Debt Market. Each kind of trading in the Domestic Debt market has its own unique terminology, definitions and calculations and a Member shall, prior to engaging in any trading, familiarize itself with the terminology and conventions relevant to that type of trading.

5. ENFORCEMENT

5.1 Association Procedures to Apply

Compliance by Members with the terms of this Policy will be enforced in accordance with the general compliance, investigative and disciplinary Rules of the Association.

5.2 Surveillance

Careful surveillance of the Domestic Debt Market and the trading activities of market participants is required to ensure that the objectives of this Policy are achieved. Members and their related companies are responsible for monitoring their trading and the conduct of their employees and agents. Members have an obligation to report promptly to the Association or any other authority having jurisdiction, including the Bank of Canada, breaches of the Policy or suspicious or irregular market conduct. Members should also encourage their customers or counter-parties who raise concerns about any Domestic Debt Market activity or participants to report such concerns to the relevant authorities.

5.3 Net Position Reports

As part of the surveillance of Domestic Debt markets, the Association may require a Member and its related companies to file the IDA Net Position Report. Net Position Reports may be requested by either the Bank of Canada (for Government of Canada securities), or by the Association. The request for a report, and associated requests for information required to clarify individual Member's reports, would be undertaken as a preliminary step to identify large holdings of securities that could have allowed a participant to have undue influence or control over the Government of Canada, provincial, municipal or corporate debt markets.

POLICY NO. 5B

RETAIL DEBT MARKET TRADING AND SUPERVISION

1. DEFINITIONS

"Retail Debt Market Trading" means trading conducted by Members, whether as principal or agent, to fill orders received from a retail customer for any debt or fixed income securities or any derivative instruments thereon including, without limitation, repo, security lending and other specialty or related debt markets.

"Retail Customer" means a customer of the Member that is not an institutional client as defined in IDA Policy 4.

2. MEMBER POLICIES AND PROCEDURES

Members shall have written policies and procedures relating to trading in the Retail Debt Market and the matters identified in this Policy. Such policies and procedures shall be approved by the board of directors of the Member or an appropriate level of senior management and by the Association. The policies and procedures must be established and implemented by senior management and must be periodically reviewed to ensure that they are appropriate to the size, nature and complexity of the Member's business and remain appropriate as such business and market circumstances change.

3. COMMISSIONS AND MARK-UPS

Members must have written procedures or guidelines issued to its registered representatives regarding mark-ups or commissions on debt or fixed income securities sold to the Member's retail customers. The Member must have reasonable monitoring procedures to detect and monitor mark-ups or commissions which exceed those specified in the written procedures or guidelines and ensure that such mark-up or commission is justified in the reasonable judgment of the Member.

4. MARKET CONDUCT

4.1 Duty to Deal Fairly

Members must observe high standards of ethics and conduct in the transaction of their business and prohibit any business conduct or practice which is unbecoming or detrimental to the public interest. Members shall act fairly, honestly and in good faith when marketing, entering into, executing and administering trades in the Retail Debt Market.

4.2 Prohibited Practices

Without limiting the generality of the foregoing, no Member or partner, officer, director, employee or agent of a Member shall:

(a) engage in any trading practices in the Retail Debt Market that are fraudulent, deceptive or manipulative; such as

- (1) executing trades which are primarily intended to artificially increase trading volumes;
- (2) executing trades which are primarily intended to artificially increase or decrease trading prices;
- (3) spreading, or acquiescing or assisting in the spreading, of any rumours or information regarding issuers that the Member or partner, director, officer, employee or agent of the Member knows or believes, or reasonably ought to know or believe, to be false or misleading;
- (4) disseminating any information that falsely states or implies governmental approval of any institution or trading; or
- (5) conspiring or colluding with another registrant to manipulate or unfairly deal in the Retail Debt Market.

(b) engage in any trading which takes unfair advantage of customers, counterparties or material non-public information, such as:

(1) acting on specific knowledge of a new issue or client order in such a way as to unfairly profit from the expected resultant market movement and/or distort market levels;

(2) executing proprietary trades ahead of client orders on the same side of the market without first disclosing to the client the intention to do so and obtaining the client's approval;

(3) using proprietary information, the release of which could reasonably be expected to affect market prices, to profit unfairly;

(4) using material, non public information which may reasonably be expected to affect prices in the Domestic Debt Market, for gain; or

(5) abusing market procedures or conventions to obtain an unfair advantage over, or to unfairly prejudice, its counterparties or customers;

(6) consummating a trade where the price is clearly outside the context of the prevailing market and has been proposed or agreed as a result of manifest error.

(c) engage in any trading in derivatives on debt market instruments in contravention of the above prohibitions.

(d) accept any order from or effect any trade for a retail customer if the Member knows or has reasonable grounds to believe that the customer is, by giving the order or conducting the trade, contravening this Policy 5B or any statute or regulation, or any rule, policy, directive, order or other requirement of any regulatory authority, exchange or self-regulatory organization governing the Member or the market in which the trade will be effected.

PASSED AND ENACTED BY THE BOARD OF DIRECTORS this 26th day of June 2005, to be effective on a date to be determined by Association staff.

13.1.6 IDA Regulations 100.9 and 100.10 – CDCC issued currency options

INVESTMENT DEALERS ASSOCIATION OF CANADA –

REGULATIONS 100.9 AND 100.10 – CDCC ISSUED CURRENCY OPTIONS

I OVERVIEW

A Current Rules

IDA Regulations 100.9 and 100.10 set out the capital and margin requirements for currency options cleared by the Options Clearing Corporation (OCC) in the United States. There are no current capital and margin requirements set out in the rules for currency options cleared by the Canadian Derivatives Clearing Corporation (CDCC).

B The Issue

The Bourse de Montréal intends to introduce currency options to be cleared by the Canadian Derivatives Clearing Corporation (CDCC). There is therefore a need to amend the existing rules to address CDCC issued currency options.

C Objectives

The main objective of this proposal is to amend Regulations 100.9 and 100.10 to extend the current margin treatment given to OCC issued currency options to CDCC issued currency options.

D Effect of Proposed Rules

The proposals seek to:

- amend Regulations 100.9 and 100.10 to incorporate CDCC currency options;
- set the margin rates for the underlying interest of the currency options to be the IDA's published spot risk margin rate for the underlying currency; and
- make the capital and margin requirements for CDCC currency options consistent with the capital and margin requirements for OCC currency options in IDA Regulations 100.9 and 100.10.

The net effect of these proposals is that CDCC issued currency options will be margined in the same manner as OCC issued currency options. The impact of these proposed amendments is not expected to be significant in terms of impact on market structure, competition, and costs of compliance and other rules,

II DETAILED ANALYSIS

A Present Rules, Relevant History and Proposed Policy

A detailed analysis was considered unnecessary

B Issues and Alternatives Considered

No other alternatives were considered

C Comparison with Similar Provisions

A comparison with similar regulations in the United Kingdom and the United States was not considered necessary.

D Systems Impact of Rule

It is believed that the proposed amendments, set out in Attachment #1, will have no impact in terms of capital market structure, member versus non-member level playing field, competition generally, costs of compliance and conformity with other rules. The Bourse de Montréal is also in the process of passing this amendment. Implementation of this amendment will therefore take place once both the IDA and the Bourse de Montréal have received approval to do so from their respective recognizing regulators.

E Best Interests of the Capital Markets

The Board has determined that the rule is not detrimental to the best interests of the capital markets.

F Public Interest Objective

According to subparagraph 14(c) of the IDA's Order of Recognition as a self regulatory organization, the IDA shall, where requested, provide in respect of a proposed rule change "a concise statement of its nature, purposes (having regard to paragraph 13 above) and effects, including possible effects on market structure and competition". Statements have been made elsewhere as to the nature and effects of this proposal. The purposes of the proposal are to:

- Facilitate an efficient capital-raising process and to facilitate transparent, efficient and fair secondary market trading and the availability to members and investors of information with respect to offers and quotations for and transactions in securities, and efficient clearance and settlement procedures;

- Standardize industry practices where necessary or desirable for investor protection;

The proposal does not permit unfair discrimination among customers, issuers, brokers, dealers, members or others. It does not impose any burden on competition that is not necessary or appropriate in furtherance of the above purposes.

The proposal is believed to be public interest as it is intended to establish the capital and margin requirements that apply to CDCC issued foreign currency option positions held in Member firm and customer accounts.

III COMMENTARY

A Filing in Other Jurisdictions

This proposed amendments will be filed for approval in Alberta, British Columbia, Ontario and Quebec and will be filed for information in Manitoba, Nova Scotia and Saskatchewan.

B Effectiveness

As indicated in the previous sections, the objective of the proposal is to incorporate CDCC currency options in IDA Regulations 100.9 and 100.10 and make the capital and margin requirements for CDCC currency options consistent with the capital and margin requirements for OCC currency options. It is believed that the proposal will be effective for this purpose.

C Process

These proposed amendments have been developed and recommended for approval by the FAS Capital Formula Subcommittee and have been recommended for approval by the FAS Executive Committee and the Financial Administrators Section.

IV SOURCES

References:

- Regulation 100.9 and 100.10

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying amendments.

The Association has determined that the entry into force of the proposed amendments would be in the public interest. Comments are sought on the proposed. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Arif Mian, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Arif Mian
Specialist Regulatory Policy,
Investment Dealers Association of Canada
Suite 1600, 121 King West
Toronto, Ontario
M5H 3T9
Tel: 416-943-4656
E-mail: amian@ida.ca

Jane Tan, MBA
Information Analyst, Regulatory Policy,
Investment Dealers Association of Canada
Suite 1600, 121 King West
Toronto, Ontario
M5H 3T9
Tel: 416-943-6979
E-mail: jtan@ida.ca

INVESTMENT DEALERS ASSOCIATION OF CANADA

REGULATIONS 100.9 AND 100.10 – CDCC ISSUED CURRENCY OPTIONS

BOARD RESOLUTION

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. Regulation 100.9(a)(iii) is amended by adding the following paragraph after paragraph (C):

   "(D) for CDCC currency options, which gives the holder the right to buy and the writer the obligation to sell the underlying interest at a stated exercise price either on or before the expiration date of the CDCC option.";

2. Regulation 100.9(a)(viii)(A) is amended by adding the text "a currency" after the text "a participation unit,";

3. Regulation 100.9(a)(xiv)(A) is amended by adding the text "a currency" after the text "a participation unit,";

4. Regulation 100.9(a)(xix)(A) is amended by adding the text "a currency" after the text "a participation unit,";

5. Regulation 100.9(a)(xxiii)(A) is amended by adding the text "a currency" after the text "a participation unit,";

6. Regulation 100.9(a)(xxvii) is amended by adding the following paragraph after paragraph (F):

   "(G) in the case of a CDCC currency option, the currency or an asset denominated in the same currency;";

7. Regulation 100.9(b)(ii)(A) is amended by adding the text "currency" after the text "in the case of equity,";

8. Regulation 100.9(b) is amended by adding the following paragraph after paragraph (iii):

   "(iv) For CDCC currency options``, the normal margin required for the underlying interest shall be a percentage of the market value of the underlying interest determined using IDA's published spot risk margin rate for the currency."

   and by renumbering paragraph (iv) as paragraph (v);

9. Regulation 100.9(c)(i)(I) is amended by replacing the word "securities" with the word "interest";

10. Regulation 100.9(d)(i)(B) is amended by adding the following paragraph after paragraph (II):

    "(III) For CDCC currency options, the IDA's published spot risk margin rate for the currency;";

11. Regulation 100.9(d)(ii)(B) is amended by replacing the period at the end of paragraph (IV) with the text "; or" and by adding the following paragraph after paragraph (IV):

    "(V) For CDCC currency options, 0.75%.";

12. Regulation 100.9(g)(i) is amended by adding in the first line the text ", currency" after the text "in the case of equity";

13. Regulation 100.9(g)(ii) is amended by adding in the first line the text ", currency" after the text "in the case of equity";

14. Regulation 100.9(g)(iii) is amended by adding in the first line the text ", currency" after the text "in the case of equity";

15. Regulation 100.9(g)(iv) is amended by adding in the first line the text ", currency" after the text "in the case of equity";

16. Regulation 100.10(b) is amended by adding the following paragraph after paragraph (iii):

    "(iv) For CDCC currency options, the normal margin required for the underlying interest shall be a percentage of the market value of the underlying interest determined using IDA's published spot risk margin rate for the currency"

    and by renumbering paragraph (iv) as paragraph (v);

17. Regulation 100.10(c)(i)(B)(I) is amended by replacing the word "securities" with the word "interest";

18. Regulation 100.10(d)(i) is amended by adding the following paragraph after paragraph (C):

    "(D) In case of CDCC currency options, the IDA's published spot risk margin rate for the currency;";

19. Regulation 100.10(g)(i) is amended by adding in the first line the text ", currency" after the text "in the case of equity";

20. Regulation 100.10(g)(ii) is amended by adding in the first line the text ", currency" after the text "in the case of equity";

21. Regulation 100.10(g)(iii) is amended by adding in the first line the text ", currency" after the text "in the case of equity"; and

22. Regulation 100.10(g)(iv) is amended by adding in the first line the text ", currency" after the text "in the case of equity".

PASSED AND ENACTED BY THE Board of Directors this 26th day of June 2005, to be effective on a date to be determined by Association staff.

INVESTMENT DEALERS ASSOCIATION OF CANADA

REGULATIONS 100.9 AND 100.10 – CDCC ISSUED CURRENCY OPTIONS

BLACKLINE COPY OF AMENDED PARAGRAPHS

Paragraph 100.9(a)(iii) – Amendment #1

(iii) the term “call option” means an option:

(A) for equity, participation unit, and bond options, which gives the holder the right to buy and the writer the obligation to sell the underlying interest at a stated exercise price either on or before the expiration date of the option;

(B) for index options, which gives the holder the right to receive and the writer the obligation to pay, if the current value of the index rises above the exercise price, the difference between the aggregate exercise price and the aggregate current value of the underlying interest either on or before the expiration date of the option; or

(C) for OCC options, which gives the holder the right to buy and the writer the obligation to sell the underlying interest at a stated exercise price either on or before the expiration date of the OCC option.

(D) for CDCC currency options, which gives the holder the right to buy and the writer the obligation to sell the underlying interest at a stated exercise price either on or before the expiration date of the CDCC option.

Paragraph 100.9(a)(viii)(A) – Amendment #2

(viii) the term “exercise price” in respect of an option means:

(A) in the case of an equity, a participation unit, a currency or a bond option, the specified price per unit at which the underlying interest may be received in the case of a call option, or delivered, in the case of a put option;

(B) in the case of index options, the specified price per unit, which may be received by the holder and paid by the writer in the case of a call option or a put option; or

(C) in the case of an OCC option, the specified price per unit at which the underlying interest may be received in the case of a call option, or delivered, in the case of a put option;

upon exercise of the option.

Paragraph 100.9(a)(xiv)(A) – Amendment #3

(xiv) the term “in-the-money” means:

(A) in the case of an equity, a participation unit, a currency or a bond option, that the market price;

(B) in the case of an index option, that the current value; or

(C) in the case of an OCC option, that the market price or the current value;
of the underlying interest is above the exercise price in the case of a call option, and below the exercise price in the case of a put option.

Paragraph 100.9(a)(xix)(A) – Amendment #4

(xix) the term “out-of-the-money” means:

(A) in the case of an equity, a participation unit, a currency or a bond option, that the market price;

(B) in the case of an index option, that the current value; or

(C) in the case of an OCC option, that the market price or the current value;

of the underlying interest is below the exercise price in the case of a call option, and above the exercise price in the case of a put option.

Paragraph 100.9(a)(xxiii)(A) – Amendment #5

(xxiii) the term "put option" means, an option:

(A) for an equity, a participation unit, a currency or a bond option, which gives the holder the right to sell and the writer the obligation to buy the underlying interest at a stated exercise price either on or before the expiration date of the option;

(B) for index options, which gives the holder the right to receive and the writer the obligation to pay, if the current value of the index falls below the exercise price, the difference between the aggregate exercise price and the aggregate current value of the underlying interest either on or before the expiration date of the option; or

(C) for OCC options, which gives the holder the right to sell and the writer the obligation to buy the underlying interest at a stated exercise price either on or before the expiration date of the OCC option.

Paragraph 100.9(a)(xxvii) – Amendment #6

(xxvii) the term "underlying interest" means,

(A) in the case of an equity, a participation unit or a bond option, the security;

(B) in the case of an index option, the index;

(C) in the case of an OCC option in a currency, the currency;

(D) in the case of an OCC option in debt, the debt;

(E) in the case of an OCC option in an index, the index;

(F) in the case of any other OCC option, the security;

(G) in the case of a CDCC currency option, the currency or an asset denominated in the same currency;

which is the subject of the option.

Paragraph 100.9(b) – Amendments #7 and #8

(b) **Exchange traded options – general margin requirements**

The minimum amount of margin which must be obtained in margin accounts of customers having positions in options shall be as follows:

(i) All opening writing transactions and resulting short positions must be carried in a margin account.

(ii) Each option shall be margined separately and:

(A) in the case of equity, currency or participation unit options, any difference between the market price of the underlying interest; or

(B) in the case of index options, any difference between the current value of the index,

and the exercise price of the option shall be considered to be of value only in providing the amount of margin required on that particular option.

(iii) Where a customer account holds both options and OCC options that have the same underlying interest, the OCC options may be considered to be options for the purposes of the calculation of the margin requirements for the account under this Regulation 100.9.

(iv) For CDCC currency options, the normal margin required for the underlying interest shall be a percentage of the market value of the underlying interest determined using the IDA's published spot risk margin rate for the currency.

~~(iv)~~(v) From time to time the Association may impose special margin requirements with respect to particular options or particular positions in options.

Paragraph 100.9(c) – Amendment #9

(c) **Long option positions**

(i) Subject to sub-paragraph (ii), the margin requirement for long options shall be the sum of:

(A) where the period to expiry is greater or equal to 9 months, 50% of the option's time value, 100% of the option's time value otherwise; and

(B) the lesser of:

(I) the normal margin required for the underlying ~~securities~~interest; and

(II) the option's in-the-money amount, if any.

(ii) Where in the case of equity options, the underlying interest in respect of a long call option is the subject of a legal and binding cash take-over bid for which all conditions have been met, the margin required on such call option shall be the market value of the call option less the amount by which the amount offered exceeds the exercise price of the call option. Where such a take-over bid is made for less than 100% of the issued and outstanding securities, the margin requirement shall be applied pro rata in the same proportion as the offer and paragraph (c)(i) shall apply to the balance.

Paragraph 100.9(d) – Amendments #10 and #11

(d) **Short option positions**

(i) The minimum credit requirement which must be maintained in respect of an option carried short in a customer account shall be:

(A) 100% of the current market value of the option; plus

(B) a percentage of the market value of the underlying interest determined using the following percentages:

(I) For equity options or equity participation unit options, the margin rate used for the underlying interest;

(II) For index options or index participation unit options, the published floating margin rate for the index or index participation unit;

(III) For CDCC currency options, the IDA's published spot risk margin rate for the currency;

minus

(C) any out-of-the-money amount associated with the option.

(ii) Paragraph (d)(i) notwithstanding, the minimum credit requirement which must be maintained and carried in a customer account trading in options shall be not less than:

(A) 100% of the current market value of the option; plus

(B) an additional requirement determined by multiplying:

(I) In the case of a short call option position, the market value of the underlying interest; or

(II) In the case of a short put option position, the aggregate exercise value of the option;

by one of the following percentages:

(III) For equity options or equity participation unit options, 5.00%; or

(IV) For index options or index participation unit options, 2.00%~~.~~; or

(V) For CDCC currency options, 0.75%.

Paragraph 100.9(g) – Amendments #12 through #15

(g) **Option and security combinations**

(i) **Short call – long underlying (or convertible) combination**

Where, in the case of equity, currency or equity participation unit options, a call option is carried short in a customer's account and the account is also long an equivalent position in the underlying interest or, in the case of equity options in a security readily convertible or exchangeable (without restrictions other than the payment of consideration and within a reasonable time provided such time shall be prior to the expiration of the call option) into the underlying interest, or in the case of equity participation unit options in securities readily exchangeable into the underlying interest, the minimum margin required shall be the sum of:

(A) the lesser of:

(I) the normal margin required on the underlying interest; and

(II) any excess of the aggregate exercise value of the call options over the normal loan value of the underlying interest;

and

(B) where a convertible security or exchangeable security is held, the amount of the conversion loss as defined in Regulation 100.4H.

In the case of exchangeable or convertible securities, the right to exchange or convert the long security shall not expire prior to the expiration date of the short call option. If the expiration of the right to exchange or convert is accelerated (whether by reason of redemption or otherwise), then such short call option shall be considered uncovered after the date on which such right to exchange or convert expires.

(ii) **Short put – short underlying combination**

Where, in the case of equity, currency or equity participation unit options, a put option is carried short in a customer's account and the account is also short an equivalent position in the underlying interest, the minimum margin required shall be the lesser of:

(A) the normal margin required on the underlying interest; and

(B) any excess of the normal credit required on the underlying interest over the aggregate exercise value of the put options.

(iii) **Long call – short underlying combination**

Where, in the case of equity, currency or equity participation unit options, a call option is carried long in a customer's account and the account is also short an equivalent position in the underlying interest, the minimum credit required shall be the sum of:

(A) 100% of the market value of the call option; and

(B) the lesser of:

(I) the aggregate exercise value of the call option; and

(II) the normal credit required on the underlying interest.

(iv) **Long put – long underlying combination**

Where, in the case of equity, currency or equity participation unit options, a put option is carried long in a customer's account and the account is also long an equivalent position in the underlying interest, the minimum margin required shall be the lesser of:

(A) the normal margin required on the underlying interest; and

(B) the excess of the combined market value of the underlying interest and the put option over the aggregate exercise value of the put option.

Paragraph 100.10(b) – Amendment #16

(b) **Exchange traded options – general capital requirements**

The capital requirements with respect to options and options-related positions in securities held in Member accounts shall be as follows:

(i) in the treatment of spreads, the long position may expire before the short position;

(ii) for any short position carried for a customer or non-customer account where the account has not provided required margin, any shortfall will be charged against the Member's capital;

(iii) where a Member account holds both options and OCC options that have the same underlying interest, the OCC options may be considered to be options for the purposes of the calculation of the capital requirements for the account under this Regulation 100.10; and

(iv) for CDCC currency options, the normal margin required for the underlying interest shall be a percentage of the market value of the underlying interest determined using the IDA's published spot risk margin rate for the currency.

(v)~~(iv)~~ from time to time the Association may impose special capital requirements with respect to particular options or particular positions in options.

Paragraph 100.10(c) – Amendment #17

(c) **Long option positions**

(i) For Member accounts, subject to sub-paragraph (ii), the capital requirement for long options shall be the sum of:

(A) where the period to expiry is greater or equal to 9 months, 50% of the option's time value, 100% of the option's time value otherwise; and

(B) the lesser of:

(I) the normal capital required for the underlying ~~securities~~interest; and

(II) the option's in-the-money amount, if any.

(ii) Where in the case of equity options, the underlying interest in respect of a long call is the subject of a legal and binding cash take-over bid for which all conditions have been met, the capital required on such call shall be the market value of the call less the amount by which the amount offered exceeds the exercise price of the call. Where such a take-over bid is made for less than 100% of the issued and outstanding securities, the capital requirement shall be applied pro rata in the same proportion as the offer and paragraph (c)(i) shall apply to the balance.

Paragraph 100.10(d) – Amendment #18

(d) **Short option positions**

The capital requirement which must be maintained in respect of an option carried short in a Member account shall be:

(i) (A) in the case of equity or equity participation unit options, the market value of the equivalent number of equity securities or participation units, multiplied by the underlying interest margin rate; or

(B) in the case of index participation unit options, the market value of the equivalent number of index participation units, multiplied by the floating margin rate; or

(C) in the case of index options, the aggregate current value of the index, multiplied by the floating margin rate;

(D) in case of CDCC currency options, a percentage of the market value of the underlying currency determined by using IDA's published spot risk margin rate for the currency;

minus

(ii) any out-of-the-money amount associated with the option.

Paragraph 100.10(g) – Amendments #19 through #22

(g) **Option and security combinations**

(i) **Short call – long underlying (or convertible) combination**

Where, in the case of equity, currency or equity participation unit options, a call option is carried short in a Member's account and the account is also long an equivalent position in the underlying interest or, in the case of equity options in a security readily convertible or exchangeable (without restrictions other than the payment of consideration and within a reasonable time provided such time shall be prior to the expiration of the call option) into the underlying interest, or in the case of equity participation unit options in securities readily exchangeable into the underlying interest, the minimum capital required shall be the sum of:

(A) the lesser of:

(I) the normal capital required on the underlying interest; and

(II) any excess of the aggregate exercise value of the call options over the normal loan value of the underlying interest;

and

(B) where a convertible security or exchangeable security is held, the amount of the conversion loss as defined in Regulation 100.4H.

The market value of any premium credit carried on the short call may be used to reduce the capital required on the long security, but cannot reduce the capital required to less than zero.

(ii) **Short put – short underlying combination**

Where, in the case of equity, currency or equity participation unit options, a put option is carried short in a Member's account and the account is also short an equivalent position in the underlying interest, the minimum capital required shall be the lesser of:

(A) the normal capital required on the underlying interest; and

(B) any excess of the normal capital required on the underlying interest over the in-the-money value, if any, of the put options.

The market value on any premium credit carried on the short put may be used to reduce the capital required on the short security, but cannot reduce the capital required to less than zero.

(iii) **Long call – short underlying combination**

Where, in the case of equity, currency or equity participation unit options, a call option is carried long in a Member's account and the account is also short an equivalent position in the underlying interest, the minimum capital required shall be the sum of:

(A) 100% of the market value of the long call option; plus

(B) the lesser of:

(I) any out-of-the-money value associated with the call option; or

(II) the normal capital required on the underlying interest.

Where the call option is in-the-money, this in-the-money value may be applied against the capital required, but cannot reduce the capital required to less than zero.

(iv) **Long put – long underlying combination**

Where, in the case of equity, currency or equity participation unit options, a put option is carried long in a Member's account and the account is also long an equivalent position in the underlying interest, the minimum capital required shall be the lesser of:

(A) the normal capital required on the underlying interest; and

(B) the excess of the combined market value of the underlying interest and the put option over the aggregate exercise value of the put option.

Where the put option is in-the-money, this in-the-money value may be applied against the capital required, but cannot reduce the capital required to less than zero."

13.1.7 Request for Comments -- Amendments to IDA Regulations 100.15 and 300.25 Regarding Customer Account Guarantee Agreements

INVESTMENT DEALERS ASSOCIATION OF CANADA –
REGULATIONS 100.15 AND 300.2 -
CUSTOMER ACCOUNT GUARANTEE AGREEMENTS

I OVERVIEW

A Current Rules

Regulation 100.15 sets the regulatory requirements for customer account guarantee agreements. The requirements include:

- limitations on account guarantees provided by partners, directors or officers;
- a prohibition on guaranteeing accounts of partners, directors, officers, shareholders, registered representatives or employees;
- the provision of capital where a customer account guarantee agreement subject to an external auditor positive confirmation request remains unconfirmed;
- the inclusion of standard minimum terms in any customer account guarantee agreement; and
- the provision of guaranteed account liability information to the guarantor.

Regulation 300.2 requires the external auditors to obtain positive confirmation as at audit date of customer account guarantee agreements where the account(s) being guaranteed would require significant margin without the existence of the guarantee agreement.

B The Issue

We have reviewed the current requirements and have concluded that they are adequate. However, because the legal enforceability of specific customer account guarantee agreements has recently been challenged in the courts in relation to the wind-up of an insolvent Member firm, we have also concluded that requiring a Member firm to make all reasonable efforts to ensure the legal enforceability of their customer account guarantee agreements is an important and emerging issue. We are therefore proposing amendments to IDA Regulations 100.15 and 300.2 that are intended to ensure that the guarantor is aware of his/her obligations under the guarantee agreement and to minimize the legal enforcement risk associated with guarantee agreements.

C Objectives

The objective of the proposed amendments (as set out in Attachment #1) is to minimize the legal enforcement risk associated with guarantee agreements by amending:

- Regulation 100.15 to only allow that the margin requirement for the guaranteed account(s) be reduced where the guaranteed account holder has consented to providing quarterly liability information, in the form of the guaranteed account statement(s), to the guarantor. This will help ensure that the guarantor is aware of his / her potential guarantee agreement liability; and
- Regulation 300.2 to require auditors to positively confirm specific customer account guarantee agreements where the agreements have been relied upon to significantly reduce guaranteed account margin either during the year or as at year-end. The current requirement is limited to where a customer account guarantee agreement is significantly relied upon as at year-end. This will help ensure that the guarantor is aware of situations where there has been material reliance on his / her guarantee during the year.

D Effect of Proposed Rules

The proposal seeks to amend Regulations 100.15 and 300.2 to minimize the legal enforcement risk associated with guarantee agreements. It is believed that the proposed amendments will have no impact in terms of capital market structure, competition, costs of compliance and conformity with other rules.

II DETAILED ANALYSIS

A Present Rules, Relevant History and Proposed Policy

A detailed analysis of present rules, relevant rule history and the proposals themselves was considered unnecessary.

B Issues and Alternatives Considered

The IDA considered requiring the re-execution of customer account guarantee agreements on a periodic basis but concluded that the renewal of agreements provided little benefit in relation to the increase in administrative burden that would be created.

C Comparison with Similar Provisions

A comparison with similar regulations in the United Kingdom and the United States was not considered necessary.

D Systems Impact of Rule

It is believed that the proposed amendments will have no impact in terms of capital market structure, member versus non-member level playing field, competition generally, costs of compliance and conformity with other rules. The Bourse de Montréal is also in the process of passing this amendment. Implementation of this amendment will therefore take place once both the IDA and the Bourse de Montréal have received approval to do so from their respective recognizing regulators.

E Best Interests of the Capital Markets

The Board has determined that the rule is not detrimental to the best interests of the capital markets.

F Public Interest Objective

According to subparagraph 14(c) of the IDA's Order of Recognition as a self regulatory organization, the IDA shall, where requested, provide in respect of a proposed rule change "a concise statement of its nature, purposes (having regard to paragraph 13 above) and effects, including possible effects on market structure and competition". Statements have been made elsewhere as to the nature and effects of this proposal. The purpose of the proposal is to:

- Standardize industry practices where necessary or desirable for investor protection.

The proposal does not permit unfair discrimination among customers, issuers, brokers, dealers, members or others. It does not impose any burden on competition that is not necessary or appropriate in furtherance of the above purposes.

The proposal is believed to be public interest as it is intended to help to minimize the legal enforcement risk associated with guarantee agreements by making the guarantor aware of his / her potential guarantee agreement liability. The proposal will not impact the public.

III COMMENTARY

A Filing in Other Jurisdictions

These proposed amendments will be filed for approval in Alberta, British Columbia, Ontario and Quebec and will be filed for information in Manitoba, Nova Scotia and Saskatchewan.

B Effectiveness

As indicated in the previous sections, the objective of the proposal is to help to minimize the legal enforcement risk associated with guarantee agreements. It is believed that the proposal will be effective for this purpose.

C Process

These proposed amendments have been developed and recommended for approval by the FAS Capital Formula Subcommittee and have been recommended for approval by the FAS Executive Committee and the Financial Administrators Section.

IV SOURCES

References:

- Regulation 100.15 and 300.2.

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying amendments.

The Association has determined that the entry into force of the proposed amendments would be in the public interest. Comments are sought on the proposed. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Arif Mian, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Arif Mian
Specialist Regulatory Policy,
Investment Dealers Association of Canada
Suite 1600, 121 King West
Toronto, Ontario
M5H 3T9
Tel: 416-943-4656
E-mail: amian@ida.ca

Answered Ramcharan
Senior Information Analyst, Regulatory Policy,
Investment Dealers Association of Canada
Suite 1600, 121 King West
Toronto, Ontario
M5H 3T9
Tel: 416-943-5850
E-mail: aramcharan@ida.ca

INVESTMENT DEALERS ASSOCIATION OF CANADA

REGULATIONS 100.15 AND 300.2 - CUSTOMER ACCOUNT GUARANTEE AGREEMENTS
BOARD RESOLUTION
ATTACHMENT #1

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. The preamble in Regulation 100.15 is amended by adding the following text at the end of the paragraph after the words "aggregated or consolidated basis":

   > "and provided the Member has received the written consent of the customer to provide the guarantor with the customer's account statement, at least quarterly. Where the customer objects to provide such written consent, the Member shall notify the guarantor in writing of the customer's objection.";

2. Regulation 100.15(i) is repealed and replaced as follows:

   > "The guarantor shall receive from the Member, at least quarterly, the customer's account statement or statements, in respect of the accounts to which the guarantee relates, provided the guarantor does not object in writing to receiving such information. The Member shall disclose to the guarantor in writing that the suitability of transactions in the customer's account will not be reviewed in relation to the guarantor.";

3. Regulation 300.2(a)(vii)(7) is amended by replacing the sentence "guarantees in cases where required to margin (protect) accounts guaranteed as at the end of the year subject to audit." by the words "guarantees in cases where required to margin (protect) accounts guaranteed either during or as at the end of the year subject to audit."; and

4. The notes that appear at the end of Regulation 300.2(a)(vii) are amended by adding in item (b) of the second paragraph the words "during the year or as at year-end" immediately after the words "and accounts that would require significant margin".

PASSED AND ENACTED BY THE Board of Directors this 26th day of June 2004, to be effective on a date to be determined by Association staff.

INVESTMENT DEALERS ASSOCIATION OF CANADA

REGULATIONS 100.15 AND 300.2 - CUSTOMER ACCOUNT GUARANTEE AGREEMENTS
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ATTACHMENT #2

Proposed revised preamble to Regulation 100.15 – Amendment #1

"The margin required in respect of the account of a customer of a Member which is guaranteed in accordance with this Regulation 100.15 may be reduced to the extent that there is excess margin in the accounts of the guarantor held by the Member calculated on an aggregated or consolidated basis and provided the Member has received the written consent of the customer to provide the guarantor with the customer's account statement, at least quarterly. Where the customer objects to provide such written consent, the Member shall notify the guarantor in writing of the customer's objection."

Proposed revised Regulation 100.15(i) – Amendment #2

"The guarantor shall ~~be entitled to~~ receive from the Member, at least quarterly, ~~on request written confirmation~~the customer's account statement or statements, ~~from time to time of the customer's liability to the Member~~ in respect of the accounts to which the guarantee relates, provided the ~~Member has received the written consent of the client for such provision of~~ guarantor does not object in writing to receiving such information. The Member shall disclose to the guarantor in writing that the suitability of transactions in the customer's account will not be reviewed in relation to the guarantor."

Proposed revised Regulation 300.2(a)(vii) – Amendments #3 and #4

"(vii) Obtain written confirmation with respect to the following:

(1) Bank balances and other deposits including hypothecated securities;

(2) Money, security positions and open commodity and option contracts including deposits with clearing houses and like organizations and money and security positions with mutual fund companies;

(3) Money and securities loaned or borrowed (including subordinated loans) together with details of collateral received or pledged, if any;

(4) Accounts of or with brokers or dealers representing regular, joint and contractual commitment positions including money and/or security positions and open commodity and option contracts;

(5) Accounts of directors and officers or partners, including money and/or security positions and open commodity and option contracts;

(6) Accounts of clients, employees and shareholders, including money and/or security positions and open commodity and option contracts;

(7) Guarantees in cases where required to margin (protect) accounts guaranteed either during or as at the end of the year subject to audit;

(8) Statements from the Member's lawyers as to the status of lawsuits and other legal matters pending which, if possible, should include an estimate of the extent of the liabilities so disclosed;

(9) All other accounts which in the opinion of the Member's Auditor should be confirmed;

Compliance with the confirmation requirements shall be deemed to have been made if positive requests for confirmation have been mailed by the Member's Auditor in an envelope bearing the Auditor's return address and second requests are similarly mailed to those not replying to the initial request. Appropriate alternative verification procedures must be used where replies to second requests have not been received.

For accounts mentioned in (4), (6) and (7) above, the Member's Auditor shall (i) select specific accounts for positive confirmation based on (a) their size (all accounts with equity exceeding a certain monetary amount, with such amount being related to the level of materiality) and (b) other characteristics such as accounts in dispute, accounts that are significantly undermargined, nominee accounts, and accounts that would require significant margin during the year or as at year-end without the existence of an effective guarantee, and (ii)

select a representative sample from all other accounts of sufficient extent to provide reasonable assurance that a material error, if it exists, will be detected.

For accounts in (4), (6) and (7) above that are not confirmed positively, the Member's Auditor shall mail statements with a request that any differences be reported directly to the auditor. Clients' accounts without any balance whatsoever and those closed since the last audit date shall also be confirmed on a test basis using either positive or negative confirmation procedures, the extent to be governed by the adequacy of the system of internal control;.

Where a reply to a positive confirmation request for a guarantee in (7) above has not been received, the guarantee shall not be accepted for margin purposes in respect of the account guaranteed unless and until a written form of confirmation of the guarantee has been received by the Member's Auditor (or by the Member if subsequent to the filing of the Joint Regulatory Financial Questionnaire and Report), or a new guarantee agreement is signed by the customer. If a guarantor responds to a positive or negative confirmation disputing the validity of the guarantee or the extent of the guarantee, such guarantee shall not be accepted for margin purposes until the dispute is resolved and the confirmation of the guarantee is provided in acceptable form. In addition to the confirmation procedures, the Member's Auditor should review a sample of guarantee agreements to ensure duly executed and completed agreements exist and such agreements comply with the minimum requirements of Regulation 100.15(h);"

13.1.8 Request for Comments – Amendments to IDA Form 1, Notes and Instructions to Statement A Regarding Foreign Currency Cash Balances Held in Registered Retirement Savings Plan Accounts

INVESTMENT DEALERS ASSOCIATION OF CANADA –
FORM 1, NOTES AND INSTRUCTIONS TO STATEMENT A –
FOREIGN CURRENCY CASH BALANCES HELD IN
REGISTERED RETIREMENT SAVINGS PLAN ACCOUNTS

I OVERVIEW

A Current Rules

The current IDA requirements classify RRSP account cash balances as allowable assets, provided the balances are held by a trustee that qualifies as an acceptable institution and are insured by either the Canadian Deposit Insurance Corporation (CDIC) or the Quebec Deposit Insurance Corporation (QDIC). As deposit insurance coverage for foreign currency cash balances is not available from CDIC or QDIC, foreign currency cash balances held in RRSP accounts are currently treated as non-allowable assets.

B The Issue

The effect of the current rule is that foreign currency cash balances held in RRSP accounts result in a capital charge to Member firms. This effect is both inappropriate and inconsistent with the treatment of other assets held for the dealer by acceptable institutions. We are aware of no other instances in the IDA capital formula where, in order for a dealer to treat an asset held for it by an acceptable institution as an allowable asset, the asset must be eligible for either CDIC or QDIC (now Autorité des marchés financiers (AMF)) deposit insurance coverage.

It has been concluded that where foreign currency cash balances are held at an acceptable institution that is a participating organization in either the CDIC or the AMF it is appropriate to treat these balances as allowable assets. The current IDA requirements therefore need to be amended to accommodate this treatment.

C Objective

The objective of this proposal is to permit the classification of foreign currency cash balances held at an acceptable institution that is a participating organization in either CDIC or AMF (with respect to deposit insurance) as allowable assets.

D Effect of Proposed Rules

It is believed that the proposed amendments set out in Attachment #1 will have no impact in terms of capital market structure, members versus non-member level playing field, competition generally, costs of compliance and conformity with other rules.

II DETAILED ANALYSIS

A Present Rules, Relevant History and Proposed Policy

A detailed analysis was considered unnecessary.

B Issues and Alternatives Considered

No other alternatives were considered.

C Comparison with Similar Provisions

A comparison with similar regulations in the United Kingdom and the United States was not considered necessary.

D Systems Impact of Rule

It is not believed that there is any system impact on Members or the public by implementing the proposed rule. The Bourse de Montréal is also in the process of passing this amendment. Implementation of this amendment will therefore take place once both the IDA and the Bourse de Montréal have received approval to do so from their respective recognizing regulators.

E Best Interests of the Capital Markets

The Board has determined that the rule is not detrimental to the best interests of the capital markets.

F Public Interest Objective

According to subparagraph 14(c) of the IDA's Order of Recognition as a self regulatory organization, the IDA shall, where requested, provide in respect of a proposed rule change "a concise statement of its nature, purposes (having regard to paragraph 13 above) and effects, including possible effects on market structure and competition". Statements have been made elsewhere as to the nature and effects of this proposal. The purpose of the proposal is to:

- Standardize industry practices where necessary or desirable for investor protection.

The proposal does not permit unfair discrimination among customers, issuers, brokers, dealers, members or others. It does not impose any burden on competition that is not necessary or appropriate in furtherance of the above purposes.

The proposal is believed to be public interest as it is intended to eliminate an unnecessary regulatory burden on both Members and the investing public.

III COMMENTARY

A Filing in Other Jurisdictions

These proposed amendments will be filed for approval in Alberta, British Columbia, Ontario and Quebec and will be filed for information in Manitoba, Nova Scotia and Saskatchewan.

B Effectiveness

As indicated in the previous sections, the objective of the proposal is intended to eliminate an unnecessary regulatory burden on both Members and the investing public. It is believed that the proposal will be effective for this purpose.

C Process

These proposed amendments have been developed and recommended for approval by the FAS Capital Formula Subcommittee and have been recommended for approval by the FAS Executive Committee and the Financial Administrators Section.

IV SOURCES

References:

- Statement A Form 1, Notes and Instructions.

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying amendments.

The Association has determined that the entry into force of the proposed amendments would be in the public interest. Comments are sought on the proposed. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Arif Mian, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Arif Mian
Specialist Regulatory Policy,
Investment Dealers Association of Canada
Suite 1600, 121 King West
Toronto, Ontario
M5H 3T9
Tel: 416-943-4656
E-mail: amian@ida.ca

Jane Tan, MBA
Information Analyst, Regulatory Policy,
Investment Dealers Association of Canada

Suite 1600, 121 King West
Toronto, Ontario
M5H 3T9
Tel: 416-943-6979
E-mail: jtan@ida.ca

INVESTMENT DEALERS ASSOCIATION OF CANADA

Form 1, Notes and Instructions To Statement A – Foreign Currency Cash Balances Held In Registered Retirement Savings Plan Accounts
Board Resolution
Attachment #1

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. The Notes and Instructions to Line 2 of Statement A of Form 1 are amended as follows:

   (a) Adding the following sentence "and such accounts must be insured by the Canada Deposit Insurance Corporation (CDIC) or Autorité des marchés financiers (AMF) to the full extent insurance is available." immediately following the words "Acceptable Institution";

   (b) Deleting the word "The" immediately preceding the word "RRSP";

   (c) Replacing the word "or" by the word "and" immediately preceding the words "other similar balances"; and

   (d) Replacing the words "must be insured by the Canada Deposit Insurance Corporation (CDIC) or Quebec Deposit Insurance Corporation (QDIC)." by the words ", but for which CDIC or AMF insurance is not available such as foreign currency accounts, can be classified as allowable assets."

PASSED AND ENACTED BY THE Board of Directors this 26th day of June 2005, to be effective on a date to be determined by Association staff.

INVESTMENT DEALERS ASSOCIATION OF CANADA

Form 1, Notes and Instructions To Statement A – Foreign Currency Cash Balances Held In Registered Retirement Savings Plan Accounts Blackline Copy Attachment #2

"Line 2 – The trustee(s) for RRSP or other similar accounts must qualify as an Acceptable Institution and such accounts must be insured by the Canada Deposit Insurance Corporation (CDIC) or Autorité des marchés financiers (AMF) to the full extent insurance is available. If not, then the Member must report 100% of the balance held in trust as non-allowable assets on line 28. ~~The~~ RRSP ~~or~~and other similar balances held at such trustee(s), but for which CDIC or AMF insurance is not available such as foreign currency accounts, can be classified as allowable assets.~~must be insured by the Canada Deposit Insurance Corporation (CDIC) or Quebec Deposit Insurance Corporation (QDIC).~~ The name(s) of RRSP trustee(s) used by the Member must also be provided on Schedule 4."

13.1.9 Request for Comments – Amendments to IDA Policy 6, Parts I and II Regarding Wealth Management Essentials Course

INVESTMENT DEALERS ASSOCIATION OF CANADA –
WEALTH MANAGEMENT ESSENTIALS COURSE

I OVERVIEW

A Current Rules

Policy 6, Part I, Section A.3(c) requires that within 30 months of initial Approval, a Registered Representative other than a Registered Representative (non-retail) or Registered Representative (mutual funds), must complete either the Professional Financial Planning Course (PFPC) or the Investment Management Techniques Course (IMT), both provided by the Canadian Securities Institute (CSI). (This is generally known as the “30 month requirement.”)

Policy 6, Part II, Sections 10 and 11 provide an exemption for those who have completed the Chartered Financial Analyst (CFA) Designation administered by the CFA Institute or a predecessor course to IMT, the Canadian Investment Management Program, Part I.

A proposed amendment to Policy 6, Part II passed by the Board of Directors on June 13, 2004 and currently awaiting the approval of the Canadian Securities Administrators changes the exemption from attainment of the CFA Designation to completion of the three levels of the CFA Programme, and adds an exemption for those completing the Certified Financial Planner Examination. It also adds exemptions for those that have completed the higher level courses offered by the CSI for which the PFPC or IMT are pre-requisites.

B The Issue

Neither of the optional courses to fulfill the 30-month requirement covers all the educational needs of a Registered Representative providing advice to retail clients. A review of requirements including a survey of Members indicates that the course to fulfill the 30-month requirement should cover both financial planning and investment management.

C Objective

The objective of the rule change is to replace the options in the current 30 month requirement with a new course, the Wealth Management Essentials Course (WME), which includes study of both financial planning and investment management.

D Effect Of Proposed Rules

The proposed amendments will provide new Registered Representatives with a wider range of proficiency necessary in providing advice to retail clients.

The proposed amendments will eliminate existing exemptions for those with higher level attainments in one or the other of the two topics. Those who have completed the Certified Financial Planner Examination (CFP) offered by the Financial Planning Standards Council or the three levels of the Chartered Financial Analyst program offered by the CFA Institute will be required to complete only that portion of the course dealing with the other specialty – the investment management module and the integration module for those with the CFP or the financial planning module and the integration module for those with the CFA.

Individuals wishing to take downstream courses or obtain designations offered by the CSI in either financial planning or investment management will be able to take top-up courses containing the material from the PFPC or IMT to complete those courses, and then carry on to further courses as interested.

II DETAILED ANALYSIS

A Present Rules, Relevant History And Proposed Policy

The 30 month requirement was introduced in January 1994. At that time the required course of Canadian Investment Management (CIM), Part I, a course offered by the CSI that dealt with investment management and securities analysis in more depth than the Canadian Securities Course.

In August, 1996 the By-law was changed to require the PFPC in place of the CIM Part 1 because of the much wider offering of financial planning or at least broader financial advice to retail clients.

In May, 2000 all proficiency requirements in the By-laws were moved to Policy 6. At the same time, the 30 month requirement was changed to give a choice between the PFPC for those whose practice was directed more towards financial planning or the IMT for those pursuing a career more directed to investment management.

At the same time, an exemption from completing the IMT or PFPC was extended to those who had attained the CFA designation. The CFA Program, offered by the CFA Institute (then known as the Association for Investment Management and Research) in the United States is an internationally recognized course of study in investment management.

In June, 2004 the Board of Directors passed an amendment to Policy 6, Part I giving an exemption from the PFPC for those who have completed the CFP Examination. The CFP is a widely accepted course and designation for those in the business of financial planning. Those completing certain recognized financial planning courses, including the PFPC, are permitted to challenge the CFP Examination.

In 2004 the CSI conducted a study of proficiency requirements in the retail industry including interviews with supervisors and those involved in training of Registered Representatives at Members. The study concluded that neither discipline alone is sufficient to provide the background needed by most Registered Representatives providing advice to retail clients, but rather that some elements of both are required.

After reviewing the CSI study, the Education and Proficiency Committee directed the CSI to prepare a detailed outline of a course that would combine elements of the PFPC and IMT and an outline of the costs for top-up modules for those with the CFA or CFE or those wishing to complete the existing PFPC or IMT courses.

The proposed amendment will replace the option for fulfilling the 30-month requirement with one course, the WME, which combines topic elements from the PFPC and IMT, in some cases in less depth than those courses.

The WME will include three modules: one on financial planning, one on investment management and one integration module. Those with the CFP will be exempted from taking the financial planning module; those with the CFA will be exempted from taking the investment management module. This will be accomplished by the CSI providing advanced standing for the relevant portion of the course, and need not be written into Policy 6.

Those wishing to complete the full PFPC or IMT will be able to take top-up courses containing the material currently in those courses and not included in the WME.

The WME is currently in development. The proposed amendment will be declared effective when it is ready to be offered. Those enrolled in either the PFPC or IMT on the effective date will be able to complete that course to complete their 30-month requirement, provided that they do so within the 2 years after enrolment required to complete any CSI course. Those who completed either course prior to the effective date but were not registered will be able to use it to fulfill the 30 month requirement if they become approved as Registered Representatives within two years of completion.

The proposed amendments also permit those who are not approved as Registered Representatives or surrender that approval for more than three years, and who have completed the IMT or PMT before the effective date or were enrolled in either and completed it within three years, to use them to fulfill the 30 month requirement if they have completed the higher level courses – Portfolio Management Techniques or Wealth Management Techniques – within the two years prior to the application. This provision is consistent with other regulations which permit persons who are not approved or surrender approval for more than three years to extend the validity of required courses by taking higher level courses.

B Issues And Alternatives Considered

No alternatives have been considered.

C Comparison With Similar Provisions

Rule 31-502 of the Ontario Securities Commission also contains a proficiency requirement to complete the Professional Financial Planning Course or the first course of the Canadian Investment Management Program within 30 months of registration as a Salesperson of an Investment Dealer. Under Rule 31-502, the due date is the end of the 30th month.

D Systems Impact Of Rule

A minor adjustment will be required to the National Registration Database (“NRD”) to add the new course. As this requires only an update to an NRD table, this amendment can be scheduled for the next scheduled NRD version release after the effective date with no cost to the IDA.

E Best Interests Of The Capital Markets

The Board has determined that the public interest Rule is not detrimental to the best interests of the capital markets.

F Public Interest Objective

The proposal is designed to ensure that Registered Representatives are proficient in all aspects of the subjects on which they provide advice to retail clients.

The proposal does not permit unfair discrimination among customers, issuers, brokers, dealers, members or others. It does not impose any burden on competition that is not necessary or appropriate in furtherance of the above purposes.

III COMMENTARY

A Filing In Other Jurisdictions

These proposed amendments will be filed for approval in Alberta, British Columbia, Ontario and Quebec and will be filed for information in Nova Scotia and Saskatchewan.

B Effectiveness

This proposed change will broaden the range of understanding of financial planning and investment management of new Registered Representatives providing advice to retail clients.

C Process

The proposal was initially made to the Education and Proficiency Committee by the Canadian Securities Institute after a study of the training and education needs of retail Registered Representatives.

The proposal has been reviewed by the Retail Sales Committee, the Compliance and Legal Section and the Regional Dealers Committee.

IV SOURCES

References:

- IDA Policy 6, Parts I and II;
- IDA Bulletin 2040, December 14, 1993;
- IDA Bulletin 2288, August 23, 1996;
- IDA Bulletin 2717, May 11, 2000.

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying amendment.

The Association has determined that the entry into force of the proposed amendment would be in the public interest. Comments are sought on the proposed amendment. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Larry Boyce, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Larry Boyce
Vice President, Sales Compliance and Registration
Investment Dealers Association of Canada
121 King Street West, Suite 1600
Toronto, Ontario M5H 3T9
lboyce@ida.ca

INVESTMENT DEALERS ASSOCIATION OF CANADA

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada (IDA) hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. Policy 6, Part I, Section A.3(c) as amended by the Board of Directors on June 13, 2004 is amended by inserting "of the Wealth Management Essentials Course" between "successful completion" and "within 30 months", by deleting "of:" after "approval as a registered representative" and by deleting sub-paragraphs (i) and (ii).

2. Policy 6, Part II, Section A.10 as amended by the Board of Directors on June 13, 2004 is amended by changing the section heading from "The Professional Financial Planning Course" to "The Wealth Management Essentials Course"; changing "Professional Financial Planning Course" to "Wealth Management Essentials Course" in the first line; inserting "Investment Management Techniques Course, Portfolio Management Techniques Course, 3 levels of the Chartered Financial Analyst programme administered by the CFA Institute," between "successfully completing the" and "Professional Financial Planning Course" in subsection (c); and inserting "Investment Management Techniques Course, Portfolio Management Techniques Course, 3 levels of the Certified Financial Analyst programme administered by the CFA Institute, Professional Financial Planning Course" between "successfully completing the" and "Wealth Management Techniques Course" in subsection (d).

3. Policy 6, Part II, Section A.11 is deleted in its entirety.

4. Policy 6, Part II, Section B.10 as amended by the Board of Directors on June 13, 2004 is amended by changing the section heading from "The Professional Financial Planning Course" to "The Wealth Management Essentials Course"; changing "Professional Financial Planning Course" to "Wealth Management Essentials Course" in the first line; adding in subsection (b)(iv) "or the Portfolio Management Techniques Course" after "Wealth Management Techniques Course" and deleting "or the Certified Financial Planner Examination administered by the Financial Planning Standards Council"; and adding in subsection (b)(v) "or the Portfolio Management Techniques Course" after "Wealth Management Techniques Course" and deleting "or the Certified Financial Planner Examination"; and by deleting subsection (c) and replacing it with the following:

   "(c) Has successfully completed the Investment Management Techniques Course or the Professional Financial Planning Course prior to [a date three years after the effective date], having been enrolled prior to [the effective date], and

   (i) Is currently approved as an investment representative or a registered representative,

   (ii) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing,

   (iii) Is an approved person, currently seeking re-approval within the same category of approval within three years of the approval of that category lapsing,

   (iv) Is currently seeking approval within two years of successfully completing the Wealth Management Techniques Course or the Portfolio Management Techniques Course; or

   (v) Is seeking re-registration within three years of successful completion of the Wealth Management Techniques Course or the Portfolio Management Techniques Course."

5. Policy 6, Part II, Section B.11 is deleted in its entirety.

PASSED AND ENACTED BY THE BOARD OF DIRECTORS this 26th day of June 2005, to be effective on a date to be determined by Association staff.

INVESTMENT DEALERS ASSOCIATION OF CANADA

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Policy 6, Part I, Section A.3:

3. **Registered Representatives and Investment Representatives**

The proficiency requirements for a registered representative or investment representative under By-law 18.3 are:

(a) Successful completion of

(i) The Canadian Securities Course prior to commencing the training programme described in subsection (iii),

(ii) The Conduct and Practices Handbook Course, and

(iii) Either

A. For a registered representative, except for a registered representative (non-retail), a 90-day training programme during which time he or she has been employed with a Member firm on a full-time basis, or

B. For an investment representative, a 30-day training programme during which time he or she has been employed with a Member firm on a full-time basis; or

(b) Successful completion of the New Entrants Course, where the person was registered or licensed with a recognized foreign self-regulatory organization within three years prior to application with the Association; and

(c) For a registered representative other than a registered representative (mutual funds) or registered representative (non-retail), successful completion of the Wealth Management Essentials Course within 30 months of his or her approval as a registered representative.~~ of:~~

~~(i) The Professional Financial Planning Course, or~~
~~(ii) The Investment Management Techniques Course.~~

Policy 6, Part II, Sections A.10 and A.11:

10. ~~**The Professional Financial Planning Course**~~**The Wealth Management Essentials Course**

An applicant shall be exempt from rewriting the ~~Professional Financial Planning Course~~Wealth Management Essentials Course if the applicant

(a) Was registered or approved in any trading capacity, including registration or approval restricted to mutual funds but excluding approval as a registered representative – restricted (CATS), and is currently seeking to re-enter the industry within three years of the registration or approval lapsing;

(b) Is currently registered or approved in any trading capacity, including registration or approval restricted to mutual funds but excluding approval as a registered representative – restricted (CATS), and is seeking registration in another category;

(c) Is currently seeking approval within two years of successfully completing the Investment Management Techniques Course, Portfolio Management Techniques Course, 3 levels of the Certified Financial Analyst programme administered by the CFA Institute, Professional Financial Planning Course, Wealth Management Techniques Course, or the Certified Financial Planner Examination administered by the Financial Planners Standards Council; or

(d) Is seeking re-approval within three years of successfully completing the Investment Management Techniques Course, Portfolio Management Techniques Course, 3 levels of the Certified Financial Analyst programme administered by the CFA Institute, Professional Financial Planning Course Wealth Management Techniques Course, or the Certified Financial Planner Examination administered by the Financial Planners Standards Council.

~~11. **The Investment Management Techniques Course**~~

~~An applicant shall be exempt from rewriting the Investment Management Techniques Course if the applicant~~

~~(a) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of the approval lapsing;~~

~~(b) Is an approved person, currently seeking re-approval within the same category of approval within three years of that category of approval;~~

~~(c) Is currently seeking approval within two years of successfully completing the Investment Management Techniques Course, Portfolio Management Techniques Course, or the three levels of the Chartered Financial Analyst programme administered by the CFA Institute; or~~

~~(d) Is seeking re-registration within three years of successfully completing the Portfolio Management Techniques Course or the three levels of the Chartered Financial Analyst programme administered by the CFA Institute.~~

Policy 6, Part II, Sections B.10 and B.11:

10. **~~The Professional Financial Planning Course~~The Wealth Management Essentials Course**

An applicant shall be exempt from writing the ~~Professional Financial Planning Course~~Wealth Management Essentials Course if the applicant

(a) Was registered for a minimum of two years with a Canadian securities regulatory authority or recognized foreign self-regulatory organization prior to the coming into force of this Policy 6, Part II, and has not been out of the industry for a period of greater than three years;

(b) Has successfully completed Part 1 or 2 of the Canadian Investment Management program, and

(i) Is currently approved as an investment representative or a registered representative,

(ii) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing,

(iii) Is an approved person, currently seeking re-approval within the same category of approval within three years of the approval of that category lapsing,

(iv) Is currently seeking approval within two years of successfully completing the Wealth Management Techniques Course or the Portfolio Management Techniques Course~~ or the Certified Financial Planner Examination administered by the Financial Planning Standards Council~~; or

(v) Is seeking re-approval within three years of successful completion of the Wealth Management Techniques Course or the Portfolio Management Techniques Course~~ or the Certified Financial Planner Examination~~.

~~(c) Has successfully completed the Certified Financial Planner Examination and has obtained and maintained in good standing the Certified Financial Planner designation granted by the Financial Planning Standards Council.~~

(c) Has successfully completed the Investment Management Techniques Course or the Professional Financial Planning Course prior to [a date two years after the effective date], having been enrolled prior to [the effective date], and

(i) Is currently approved as an investment representative or a registered representative,

(ii) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing,

(iii) Is an approved person, currently seeking re-approval within the same category of approval within three years of the approval of that category lapsing,

(iv) Is currently seeking approval within two years of successfully completing the Wealth Management Techniques Course or the Portfolio Management Techniques Course; or

(v) Is seeking re-approval within three years of successful completion of the Wealth Management Techniques Course or the Portfolio Management Techniques Course.

~~11. **The Investment Management Techniques Course**~~

~~An applicant shall be exempt from writing the Investment Management Techniques Course if the applicant~~

~~(a) Was registered for a minimum of two years with a Canadian securities regulatory authority or recognized foreign self-regulatory organization prior to the coming into force of this Policy 6, Part II and has not been out of the industry for a period of greater than three years;~~

~~(b) Has successfully completed Part 1 or 2 of the Canadian Investment Management Program, the Portfolio Management Techniques Course or the three levels of the Chartered Financial Analyst programme administered by the CFA Institute and~~

~~(i) Is currently approved as an investment representative or a registered representative,~~

~~(ii) Was an approved person, currently seeking to re-enter the industry within the same category of approval within three years of their approval lapsing,~~

~~(iii) Is an approved person, currently seeking re-approval within the same category of approval within three years of the approval of that category lapsing, or~~

~~(iv) Is currently seeking approval within two years of successfully completing the Portfolio Management Techniques Course or the three levels of the Chartered Financial Analyst programme administered by the CFA Institute.~~

13.1.10 Request For Comments – Amendments to IDA Policy 6, Part 1 Regarding Proficiency Requirements for Futures Contract Portfolio Managers and Associate Futures Contract Portfolio Managers

INVESTMENT DEALERS ASSOCIATION OF CANADA –
PROFICIENCY REQUIREMENTS FOR FUTURES CONTRACT PORTFOLIO MANAGERS AND ASSOCIATE FUTURES CONTRACT PORTFOLIO MANAGERS

I OVERVIEW

A Current Rules

Policy 6, Part I, Section A.6.2 contains the proficiency requirements for a futures contract portfolio manager.

Policy 6, Part I, Section A.6.4 contains the proficiency requirements for an associate futures contract portfolio manager.

B The Issue

When the current proficiency requirements for futures contracts and associate futures contracts portfolio were adopted there were no educational requirements included beyond those needed to obtain approval to trade in or advise on futures contracts.

The futures contract and associate futures contract portfolio manager requirements are inter—linked in a way that prevents firms that do not presently employ a futures contracts portfolio manager – of which there are very few currently approved – from entering the managed futures business.

The current account management experience requirement for a futures contract portfolio manager is an inadequate measure of actual experience.

C Objective

The objective of the rule change is to add an educational component to the proficiency requirements for futures contracts and associate futures contracts portfolio managers, to remove the barrier to entry caused by the inter-linking of the current requirements and to make the experience requirements relate directly to relevant experience in trading in or advising on futures contracts.

D Effect of Proposed Rules

The proposed amendments will increase the directly relevant educational attainments of futures contracts and associate futures contracts portfolio managers.

The proposed amendments will provide Members not already in the business with the opportunity to develop managed futures contracts programs using appropriately qualified and experienced personnel.

The proposed amendments will make the experience requirements for futures contracts and associate futures contracts portfolio managers directly relevant to the positions.

II DETAILED ANALYSIS

A Present Rules, Relevant History and Proposed Policy

Policy 6, Part I, Section A.6.2 contains the proficiency requirements for a futures contract portfolio manager: three years experience as an associate portfolio manager or two years as an associate portfolio manager and three years licensed to trade in or advise on futures contracts[1]. It also requires a period of one year experience having commodity futures assets of at least $5 million under management, with the value of assets computed on the value of the underlying commodities.

Policy 6, Part I, Section A.6.4 contains the proficiency requirements for an associate futures contract portfolio manager, including at least two years as a registered and practising futures contracts registered representative or as a research analyst specializing in futures contracts.

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[1] In point of fact, the current regulation contains an outdated cross-reference to former section 1300.9B(b) of the Regulation,, which read: “is licensed, registered or otherwise designated or approved to trade or advise in futures contracts”. The section was changed with amendments to the managed account provisions in Regulation 1300 effective January 26, 2004.

The current requirements were passed in 1994, at which time there were no higher level futures courses than those required to obtain approval to trade in futures contracts. The specific entry level educational requirement has changed to the Futures Licensing Course offered by the Canadian Securities Institute (CSI) and either the Derivative Fundamentals Course offered by the CSI or the National Commodity Futures Examination administered by the National Association of Securities Dealers Inc.

The CSI now offers additional courses leading to the Derivative Markets Specialist designation. To attain the designation, a candidate must complete five of 8 courses offered. Among the eight courses are the Derivatives Fundamentals Course and the Futures Licensing Course. The others courses are: the Options Licensing Course, Technical Analysis Course, Options Strategies Course, Energy Markets Risk Management Course, Financial Markets Risk Management Course and Agricultural Markets Risk Management Course. Only one of the licensing courses can be used towards the designation, hence a candidate for futures contract or associate futures contract portfolio manager, having the Futures Licensing Course as a requirement already, would not be able to use the Options Licensing Course.

The proposed rule makes either the Derivatives Market Specialist designation or the three levels of the Chartered Financial Analyst program offered by the CFA Institute a proficiency requirement to approval as a futures contract or associate futures contract portfolio manager. The CFA is a widely recognized qualification for portfolio managers. In addition, the proposed rule adds the Canadian Commodity Supervisors Examination as a proficiency requirement for futures contracts portfolio manager.

To be an associate futures contract portfolio manager, an individual must be supervised by a futures contract portfolio manager. To become a futures contract portfolio manager, one must go through a period as an associate futures contract portfolio manager. This constitutes a barrier to entry: a Member cannot have associate futures contracts portfolio managers without a futures contract portfolio manager to supervise them, and cannot have someone approved as a futures contract portfolio manager without their completing the required period as an associate futures contract portfolio manager.

As of June 14, 2005 there were a total of 17 futures contract portfolio managers and 6 associate futures contracts portfolio managers employed at 6 Members. All other Members are therefore prevented from entering the managed futures business unless they can hire one of the 17 futures contracts portfolio managers.

The proposed amendment changes the experience requirement for futures contract portfolio manager approval to either five years as an Approved Person in one of the categories of approval under Regulation 1800.3, which are a person approved to trade in or advise on futures contracts[2] or futures contract principal. As an alternative, the experience requirement can be met by three years in a category of approval under Regulation 1800.3 and two years as an associate futures portfolio manager.

The removal of an absolute requirement to undergo a period as an associate futures contract portfolio manage removes the linking that creates a barrier to entry. A Member wanting to enter the managed futures business can now apply for futures contract portfolio manager approval for a candidate who has five years experience actively trading in or advising on futures contracts.

The current account management experience requirement for a futures contract portfolio manager is assets under management of at least $5 million, measured in terms of the value of the underlying commodities. This is equal to the value of the underlying commodities of 1 Chicago Board of Trade 30 Day Fed Funds Futures contract.

All of the experience requirements in the proposed amendments now require that the applicant has “been actively engaged in advising on trades in futures contracts” during the period of experience. They also require the experience to have ended no more than three years prior to the application. This latter provision is consistent with the other parts of Policy 6, Part I in which proficiency attainments are deemed to lapse in three years of disuse.

B Issues and Alternatives Considered

No alternatives have been considered.

C Comparison with Similar Provisions

The requirements in the United States for an Associated Person of a Commodities Trading Advisor are completion of the National Commodity Futures Examination.

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[2] This can include persons in either of two categories: registered futures contracts representatives who are approved only to trade in or advise on futures contracts only, or registered representatives – futures contracts who are registered to trade in securities and futures contracts.

D Systems Impact of Rule

A minor adjustment will be required to the National Registration Database ("NRD") to add the Derivatives Market Specialist Designation in the proficiencies list. As this requires only an update to an NRD table, this amendment can be scheduled for the next scheduled NRD version release after the effective date with no cost to the IDA.

E Best Interests of the Capital Markets

The Board has determined that the public interest Rule is not detrimental to the best interests of the capital markets.

F Public Interest Objective

The proposal is designed to ensure that persons managing commodity futures accounts are proficient to do so.

The proposal does not permit unfair discrimination among customers, issuers, brokers, dealers, members or others. It does not impose any burden on competition that is not necessary or appropriate in furtherance of the above purposes, but in fact relieves a burden on competition in the existing rules that is unnecessary.

III COMMENTARY

A Filing in Other Jurisdictions

These proposed amendments will be filed for approval in Alberta, British Columbia, Ontario and Quebec and will be filed for information in Nova Scotia and Saskatchewan.

B Effectiveness

This proposed change will retain appropriate proficiency requirements for commodity futures and associate commodity futures portfolio managers, while eliminating a barrier to entry for firms not already in the managed futures business.

C Process

The proposal was initially made to the Education and Proficiency Committee by the Derivatives Committee.

IV SOURCES

References:

- IDA Policy 6, Part II;
- IDA Regulation 1300.4;
- IDA Regulation 1800.3.

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying amendment.

The Association has determined that the entry into force of the proposed amendment would be in the public interest. Comments are sought on the proposed amendment. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Larry Boyce, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Larry Boyce
Vice President, Sales Compliance and Registration
Investment Dealers Association of Canada
121 King Street West, Suite 1600
Toronto, Ontario M5H 3T9
lboyce@ida.ca

INVESTMENT DEALERS ASSOCIATION OF CANADA

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada (IDA) hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. Policy 6, Part I, Section A.6.2 is repealed and replaced as follows:

"6.2 The proficiency requirements for a futures contracts portfolio manager under Regulation 1300.12 are:

(a) Successful completion of

(i) The Canadian Commodity Supervisors Exam, the Futures Licensing Course (FLC) and the courses necessary to attain the Derivatives Market Specialist Designation; or

(ii) The Chartered Financial Analyst program administered by the CFA Institute; and

(b) Experience ending no earlier than three years prior to the date of application of:

(i) of at least 5 years as an Approved Person in one of the categories of futures contracts approval under Regulation 1800.3, or

(ii) of at least 3 years as an Approved Person in one of the categories of futures contracts approval under Regulation 1800.3 and two years as an associate futures contracts portfolio manager

during which periods the applicant shall have been actively engaged in advising on trades in or managing futures contracts accounts."

2. Policy 6, Part I, Section A.6.4 is repealed and replaced as follows:

"6.4 The proficiency requirements for an associate futures contracts portfolio manager under Regulation 1300.13 are:

(a) Successful completion of

(i) The Futures Licensing Course and the courses necessary to attain the Derivatives Market Specialist Designation; or

(ii) The Chartered Financial Analyst program administered by the CFA Institute; and

(b) Experience ending no earlier than three years prior to the date of application of at least 3 years as an Approved Person in one of the categories of futures contracts approval under Regulation 1800.3, during which period the applicant shall have been actively engaged in advising on trades in futures contracts."

PASSED AND ENACTED BY THE BOARD OF DIRECTORS this 26th day of June 2005, to be effective on a date to be determined by Association staff.

13.1.11 IDA Bylaws 10.1 and 10.4 - Board of Directors, National Advisory Committee and Meetings

INVESTMENT DEALERS ASSOCIATION OF CANADA -

BY-LAWS 10.1 AND 10.4 - BOARD OF DIRECTORS, NATIONAL ADVISORY COMMITTEE AND MEETINGS

I OVERVIEW

A Current Rules

IDA By-law 10.1 sets out the composition of the IDA Board of Directors. The bylaw specifies that at least two thirds of the Board be comprised of industry directors and gives the Board the authority to determine the number of members of the Board, which is confirmed each year at the Annual Meeting. The bylaw also states that a maximum of eight public directors can be appointed to the Board.

IDA Bylaw 10.4 requires that nine members of the Board of Directors must be present in person at a meeting of the Board in order to form a quorum and that any action taken by a majority of those members shall constitute an action of the Board.

B The Issues

Depending on the size of the Board, the effective maximum number of public directors may be less than eight, because two thirds of the Board must be comprised of industry directors. As such, the two-thirds requirement needs to be removed so that the percentage of public directors on the Board at any given time may be increased.

Because of the changes that are being made to the structure of the Board, an amendment is required to reduce what constitutes a quorum from nine members to seven members.

C Objective

The objective of the amendments is to enhance the corporate governance structure by creating a structure that is manageable in size for effective governance and decision making and which reflects a higher standard of independence than currently exists. Creating a more independent and transparent Board of Directors who is held responsible is necessary in today’s corporate landscape.

D Effect of Proposed Rules

The proposed amendment strengthens the IDA’s mission to protect investors and enhance the efficiency and competitiveness of the Canadian capital markets. By reducing the size of the Board and removing the requirement which specifies a minimum percentage of industry directors, the composition of the Board will likely shift to an increase in the percentage of public directors and in turn a more independent and transparent Board of Directors.

II DETAILED ANALYSIS

A Present Rules, Relevant History and Proposed Policy

Present Rules

By-law 10.1 requires that the Board of Directors include in its composition the Chair, the immediate Past Chair, the Vice-Chair, the President, the Chair of the National Advisory Committee, up to eight public directors, and up to thirteen other persons. In addition, a minimum of two thirds of the members of the Board of Directors must be Members or partners, directors or officers of Members. The size of the Board is determined by the Board of Directors and confirmed each year at the Annual Meeting.

The bylaw also states that the Board can be comprised of up to a maximum of eight public directors but also requires that a minimum of two thirds of the Board of Directors be Members or partners, directors of officers of a Member, which depending on the size of the Board of Directors may not allow for a significant number of public directors.

By-law 10.4 addresses the issue of what constitutes a quorum for the purposes of a meeting of the Board of Directors. The current rule states that nine members of the Board of Directors present in person at a meeting of the Board shall form a quorum and that any action taken by a majority of those members shall constitute an action of the Board.

Relevant History

In November 2000, the IDA retained a consultant, Terence D. Dingle of Dingle and Associates Inc. to examine corporate governance issues. One recommendation made was that the size of the IDA Board should be reduced as it was felt to be unmanageable for effective governance or decision-making. In April 2001, the IDA Board of Directors unanimously approved a reduction of the Board's aggregate size in order to increase the Board's effectiveness. The number of public directors was also increased from six directors to eight directors.

Proposed Policy

If there were to be a further decrease in the size of the board, the number of public directors would be reduced unless the requirement that two thirds of the Board must be industry members is eliminated. Good corporate governance demands increased independence and transparency and for public directors to truly be effective they must constitute a sufficient proportion of the Board. As such, the two-thirds requirement needs to be taken out of the bylaw so that the percentage of public directors on the Board at any given time may be increased.

At the time the size of the IDA Board was last reduced, no change was made to By-law 10.4, which sets out what constitutes a "quorum" for the purposes of a Board meeting. The By-law currently states that a quorum of the Board is nine members but since the size of the Board was reduced, the number of members to form a quorum should have also been reduced. As such, an amendment is needed to reduce what constitutes a quorum from nine members to seven members.

B Issues and Alternatives Considered

Consideration was given to requiring fifty percent public representation on the IDA Board. However, after careful consideration it was agreed that such a requirement may be appropriate for a "for-profit" company, but was not appropriate for an association such as the IDA, which is subject to a significant number of substantive checks and balances, including regulatory oversight. It was agreed that public directors do not need to constitute half of the Board to make their views effective.

The role of the IDA's public directors is fundamentally different from that performed by public directors of public "for-profit" companies, which is to represent the interests of minority shareholders and shareholders generally, as opposed to insiders or management. A key responsibility of the IDA's public directors is to protect the public interest, in the event that it conflicts with the interests of the Members.

As such, it was agreed that the size of the Board would be decreased, the two thirds industry director requirement would be removed which would in turn result in an increase in the percentage of public directors on the Board.

C Systems Impact of Rule

There are no systems issues associated with the amendment.

D Best Interests of the Capital Markets

The Board has determined that the public interest rule is not detrimental to the best interests of the capital markets.

E Public Interest Objective

According to subparagraph 14(c) of the IDA's Order of Recognition as a self-regulatory organization, the IDA shall, where requested, provide in respect of a proposed rule change "a concise statement of its nature, purposes (having regard to paragraph 13 above) and effects, including possible effects on market structure and competition". Statements have been made elsewhere as to the nature and effects of the proposals with respect to the proposed amendments.

The purpose of the proposal is to ensure that the governance and organization structure is of paramount importance as it provides the platform from which the Association delivers upon its dual mandate. As a national not-for-profit Self-Regulatory Organization, the aim of the IDA's corporate governance structure must be to satisfactorily address the inherent conflicts between the public, Members and management. As a result the related general purpose of the amendment is:

- generally promote public confidence and public understanding of the goals and activities of the IDA

The proposal does not permit unfair discrimination among customers, issuers, brokers, dealers, Members or others. It does not impose any burden on competition that is not necessary or appropriate in furtherance of the above purposes.

III COMMENTARY

A Filing in Other Jurisdictions

These proposed amendments will be filed for approval in Alberta, British Columbia, Quebec and Ontario and will be filed for information in Manitoba, Nova Scotia and Saskatchewan.

B Effectiveness

The proposed amendments are simple and effective.

C Process

The proposed amendments were developed by the Executive Committee of the IDA and have been approved by the IDA Board of Directors.

IV SOURCES

References:

- By-law 10.1
- By-law 10.4
- Governance Review, D. Terence Dingle, Dingle & Associates, January 2001

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying amendments to By-laws 10.1 and 10.4.

The Association has determined that the entry into force of the proposed amendments would be in the public interest. Comments are sought on the proposed amendments. Comments should be made in writing. One copy of each comment letter should be delivered within 30 days of the publication of this notice, addressed to the attention of Deborah Wise, Legal and Policy Counsel, Regulatory Policy, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:

Deborah Wise
Legal and Policy Counsel, Regulatory Policy
Investment Dealers Association of Canada
416.943.6994
dwise@ida.ca

INVESTMENT DEALERS ASSOCIATION OF CANADA

BY-LAWS 10.1 AND 10.4 - BOARD OF DIRECTORS, NATIONAL ADVISORY COMMITTEE AND MEETINGS

BOARD RESOLUTION

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada hereby makes the following amendments to the By-laws, Regulations, Forms and Policies of the Association:

1. By-law 10.1 is amended by deleting the following words in the third paragraph:

   > "A minimum of two thirds of the members of the Board of Directors shall at all times be Members or partners, directors or officers of Members."

2. By-law 10.4 is amended by replacing the word "nine" with the word "seven."

PASSED AND ENACTED BY THE Board of Directors this 26th day of June 2005, to be effective on a date to be determined by Association staff.

INVESTMENT DEALERS ASSOCIATION OF CANADA

BY-LAWS 10.1 AND 10.4 - BOARD OF DIRECTORS, NATIONAL ADVISORY COMMITTEE AND MEETINGS

BLACKLINE COPY OF AMENDED SECTIONS

By-Law 10.1 – Amendment #1

10.1. There shall be a Board of Directors of the Association composed of the Chair, the immediate Past Chair, the Vice-Chair, the President, the Chair of the National Advisory Committee, up to eight public directors, and up to thirteen other persons nominated by the Nominating Committee referred to in By-law 13.4 and approved by the Board of Directors or nominated by any Member at the Annual Meeting (which nomination shall be made by the Member if he or she is an individual or by the senior partner, director or officer of the Member present at the Annual Meeting) and confirmed at the Annual Meeting, all of such nominated and confirmed persons to hold office for such term not exceeding two years as may be prescribed in the resolution appointing them. The number of members of the Board of Directors to be confirmed at each Annual Meeting shall be fixed by the Board of Directors and notice thereof and of the names of those persons who have been nominated by the said Nominating Committee and approved by the Board of Directors shall be given to each Member at least thirty days prior to the Meeting.

The public directors shall be elected annually by the Board of Directors at its first meeting following the Annual Meeting to hold office for such term not exceeding two years as may be prescribed in the resolution electing them. Except as expressly provided otherwise, a public director shall be considered a member of the Board of Directors for the purposes of the By-laws. No person shall be eligible to be elected or remain as a public director if he or she is or becomes during his or her term of office a partner, director, officer or employee of a Member or associate or affiliate or related company of a Member. Nominations for public directors shall be made by the Nominating Committee referred to in By-law 13.4 and may be made by any member of the Board of Directors.

In the event that any person shall hold the office of Chair for two successive years, the immediate Past Chair shall continue to be a member of the Board of Directors during such Chair's second year of office. A retiring member of the Board of Directors shall be eligible for re-appointment. If a vacancy shall occur in the Board of Directors, the remaining members of the Board may appoint a person to fill the vacancy for the remainder of the term or until the next Annual Meeting whichever is the earlier, provided that a quorum is present at the meeting at which such appointment is made. ~~A minimum of two thirds of the members of the Board of Directors shall at all times be Members or partners, directors or officers of Members.~~ No Member shall have more than two partners, directors or officers as members of the Board of Directors at any one time, nor may both such members be from the same District, unless one of such members is either the Past Chair of the Association or the Chair of the National Advisory Committee. Where the Board selection process would result in more than two persons from a Member serving on the Board, the Chief Executive Officer of that Member shall decide which two persons will serve on the Board.

By-law 10.4 – Amendment #2

10.4 ~~Nine~~ Seven m~~M~~embers of the Board of Directors present in person shall form a quorum at any meeting thereof and any action taken by a majority of those members of the Board present at any meeting of the Board at which a quorum is present shall constitute the action of the Board.

Chapter 25

Other Information

25.1 Approvals

25.1.1 Prime Rate Corp. - s. 19.1 of NI 81-102

June 29, 2005

Blake, Cassels & Graydon LLP
Box 25, Commerce Court West
199 Bay Street
Toronto, ON M5L 1A9

Attention: Stacy E. Lean

Dear Sirs/Mesdames:

Re: Prime Rate Plus Corp. (the Company) – MRRS Exemptive Relief Application under Section 19.1 of National Instrument 81-102 (NI 81-102) SEDAR Project No. 794971 Application #05-399

By letter dated June 3, 2005 (the Application), you applied on behalf of the Company to the local securities regulatory authority or regulator (collectively, the Decision Makers) in each province of Canada except Quebec for an exemption from certain provisions of NI 81-102 under section 19.1 of NI 81-102.

From our review of the Application and the preliminary prospectus dated June 1, 2005 filed on behalf of the Company under SEDAR Project No. 794363 (the Preliminary Prospectus), we understand the relevant facts and representations to be as follows:

1. The Company is a mutual fund corporation established under the laws of Ontario. The Company's manager is Quadravest Inc. (the Manager), and its portfolio adviser is Quadravest Capital Management Inc. (Quadravest). The Company has also filed an application in each of the Jurisdictions for an exemption from the requirement to calculate its net asset value daily contained in National Instrument 81-106 – Investment Fund Continuous Disclosure.

2. The Company will make an offering (the Offering) to the public, on a best efforts basis, of class A shares (the Class A Shares) and of preferred shares (the Preferred Shares) in each of the provinces of Canada.

3. The Class A Shares and the Preferred Shares will be listed for trading on the Toronto Stock Exchange (the TSX).

4. The Company will invest the net proceeds of the Offering primarily in a portfolio of common shares (the Portfolio) which will include each of the following publicly traded Canadian banks (collectively, the Portfolio Companies): (1) Bank of Montreal; (2) The Bank of Nova Scotia; (3) Canadian Imperial Bank of Commerce; (4) National Bank of Canada; (5) Royal Bank of Canada; and (6) The Toronto-Dominion Bank.

5. The Company expects that common shares of a particular Portfolio Company will generally represent no less than 5% and no more than 20% of the net asset value (Net Asset Value) of the Company. The Portfolio will be rebalanced as necessary from time to time. Up to 20% of the Net Asset Value of the Company may be invested in equity securities of Canadian or foreign financial services corporations other than the Portfolio Companies.

6. Holders of Preferred Shares will be entitled to receive, as and when declared by the Board of Directors of the Company, fixed cumulative preferential monthly cash dividends at a rate per year equal to the prime rate in Canada (the Prime Rate) plus 0.75% with a minimum annual rate of 5.0% and a maximum annual rate of 7.0% of the original issue price. On or about December 1, 2012 (the Termination Date), the Company will redeem the Preferred Shares and holders will receive the original issue price. The Preferred Shares have been provisionally rated Pfd-2 by Dominion Bond Rating Service Limited (DBRS).

7. In respect of the Class A Shares, the Company's objectives are to provide holders of Class A Shares with regular floating rate monthly cash distributions initially targeted to be at a rate per annum equal to the Prime Rate plus 2.0%, with a minimum targeted annual rate of 5.0% and a maximum targeted annual rate of 10.0% of the original issue price. On or about the Termination Date, the Company's objective is to redeem the Class A Shares and provide holders the original issue price. Holders of Class A Shares will also be entitled to receive, on the Termination Date, the balance, if any, of the remaining assets of the Company after returning the original issue price to the holders of the Preferred Shares and Class A Shares.

8. Preferred Share distributions will be funded primarily from the dividends received on the Portfolio.

9. The record date for shareholders of the Company entitled to receive dividends will be established in

accordance with the requirements of the TSX from time to time.

10. To supplement the dividends earned on the Portfolio and to reduce risk, the Company will from time to time write covered call options in respect of all or part of the Portfolio.

11. The Preferred Shares and Class A Shares may be surrendered for retraction at any time and will be retracted on a monthly basis on the last business day of each month (a Retraction Date), provided such shares are surrendered for retraction not less than 20 business days prior to the Retraction Date. The Company will make payment for any shares retracted within fifteen business days of the Retraction Date.

12. Under the investment management agreement between the Company and Quadravest, Quadravest is entitled to a base management fee payable monthly in arrears at an annual rate equal to 0.65% of the Company's Net Asset Value calculated as at each monthly Retraction Date.

13. Quadravest is also entitled to a performance fee equal to 20% of the amount by which the total return per Unit of the Company for a financial year (which includes all cash distributions per Unit made during the year and any increase in the Net Asset Value per Unit from the beginning of the year after the deduction on a per Unit basis of all fees, other expenses and distributions) exceeds 112% of the Bonus Threshold. The Bonus Threshold for any financial year immediately following a year for which a performance fee is payable, is equal to the Net Asset Value per Unit at the beginning of that financial year. The Bonus Threshold for any financial year for which a performance fee is not payable, is equal to the greater of (i) the Net Asset Value per Unit at the end of the immediately prior financial year; and (ii) the Bonus Threshold for the prior year, minus the Adjustment Amount. The Adjustment Amount for any financial year is the amount, if any, by which the Net Asset Value per Unit at the end of the immediately prior financial year plus dividends paid in that prior year exceeds the Bonus Threshold for that prior year.

14. No performance fee may be paid in any year, (i) the Net Asset Value per Unit is less than $25.00; (ii) if the Preferred Shares are rated by DBRS at less than Pfd-2 (or, if DBRS has not rated such shares, then the equivalent rating of another rating agency that has rated such shares shall apply); or (iii) if the Company has not earned a total annual return of at least the Base Return on a cumulative basis since inception. The Base Return in any year is the greater of 5% and the annual total return for such year as measured by the Scotia Capital 91-day T-Bill Index (the T-Bill Index).

15. The T-Bill Index reflects income yields available to investors who acquire risk-free 91-day Treasury bills. The Manager believes that the T-Bill Index is an appropriate benchmark against which to assess the performance of the total return per Unit as the investment objective of the Company is to achieve targeted returns for the Preferred Shares and the Class A Shares. Although the actual returns may be achieved in part through the capital appreciation of equity securities, the principal objective, as evidenced by the Company's intention to write covered call options, is to achieve the targeted returns and not track the performance of an investment in the equity securities. As a result, the Manager believes that the most appropriate benchmark is one that focuses on yield and not on the investment performance of equity securities.

Decision

This letter confirms that, based on the information provided in the Application and the disclosure in the Preliminary Prospectus (including the facts and representations described above), and for the purposes described in the Application, the Decision Makers hereby exempt the Company from the following requirements of NI 81-102:

(a) clause 2.1(1) – so that the Company can invest in the Portfolio Companies;

(b) section 3.3 - so that the organizational costs and the expenses of the Offering can be borne by the Company;

(c) sub-clause 7.1(a)(i) - to permit the Company to pay an incentive fee calculated with reference to the T-Bill Index and in the manner disclosed in the Company's (final) prospectus (the Prospectus), provided that the Manager believes the T-Bill Index to be an appropriate benchmark against which to measure the performance of the Company and both the Manager's belief and the reasons therefore are disclosed in the Prospectus;

(d) section 10.3 - to permit the Company to calculate the Preferred Share Retraction Price and the Class A Share Retraction Price in the manner described in the Prospectus and on the applicable Retraction Date, as defined in the Prospectus, following the surrender of Units for retraction;

(e) section 10.4 - to permit the Company to pay the Preferred Share Retraction Price and the Class A Share Retraction Price on the Retraction Payment Date, as defined in the Prospectus;

(f) section 12.1 - to relieve the Company from the requirements to file the prescribed compliance report; and

(g) section 14.1 - to relieve the Company from the requirement relating to the record date for payment of dividends or other distributions of the Company, provided that it complies with the applicable requirements of the TSX.

Yours truly,

"Leslie Byberg"
Manager, Investment Funds Branch

25.2 Exemptions

25.2.1 New Generation Biotech (Equity) Fund Inc. - Part 7 and s. 19.1 of NI 81-102

Headnote

A revocation and restatement of prior relief granted from certain requirements in National Instrument 81-102 Mutual Funds to a labour sponsored investment fund to pay certain incentive fees to different service providers.

Applicable Statutes

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

Rules Cited

National Instrument 81-102 Mutual Funds, Part 7 and s. 19.1.

June 30, 2005

Gowling Lafleur Henderson LLP

Attention: Iain A. Robb

Dear Sirs/Mesdames:

RE: New Generation Biotech (Equity) Fund Inc.

Exemptive Relief Application dated November 27, 2000 pursuant to National Instrument 81-102 and Section 144 of the Securities Act (Ontario);

SEDAR Project # 775513; Ont. App. #316/05

By the application letter dated May 2, 2005, and subsequent submissions and amendments (the Application), and pursuant to section 144 of the *Securities Act* (Ontario) (the Act), you applied to the Ontario Securities Commission (the Director) on behalf of New Generation Biotech (Equity) Fund Inc. (the Fund) to revoke and replace a prior exemption granted to the Fund on January 3, 2001 (the Prior Exemption) with this exemption.

The Prior Exemption exempts the Fund from the restrictions in Part 7 of NI 81-102 relating to the payment of the Performance Bonus (defined herein). In the Prior Exemption, the Fund represented that Genesys (as defined in the Prior Exemption) will initially be entitled to 60% of the Performance Bonus and Triax (as defined in the Prior Exemption) will be entitled to 20% of the Performance Bonus. In the Application, the Fund proposes to pay the Performance Bonus to the Manager (defined herein) and the service providers retained by the Manager in the proportion determined by the Manager from time to time and disclosed to the Fund's shareholders (the Shareholders).

In the Application, the Fund represented the following:

1. The Fund is a corporation incorporated under the Business Corporations Act (Ontario) by Articles of Incorporation dated October 31, 2000 which were subsequently amended by Articles of Amendment dated December 27, 2000 and further amended by Articles of Amendment dated December 19, 2003.

2. The Fund is registered as a labour-sponsored investment fund corporation under the Community Small Business Investment Funds Act (Ontario) (the Ontario Act) and is a prescribed labour-sponsored venture capital corporation under the Income Tax Act (Canada), as amended.

3. An amended and restated prospectus for the Fund dated January 25, 2005 (the Prospectus) has been filed with and for which a receipt was obtained from the Director. The Fund is a mutual fund as defined in subsection 1(1) of the Act.

4. NGB Management Inc. is the manager of the Fund (the Manager) pursuant to a management agreement between the Fund and the Manager dated December 22, 2000, as amended (the Agreement). The Manager has retained service providers to perform various investment and administrative services for the Fund.

5. Pursuant to the Agreement, the definition of “Class A Share Investment Portfolio” means, at any point in time, the Eligible Investments of the Fund made with the capital raised from the sale of Class A Shares.

6. Pursuant to the Prospectus, the definition of “reserves” means Canadian dollars in cash or on deposit with qualified Canadian financial institutions, debt obligations of or guaranteed by the Canadian federal government, debt obligations of provincial and municipal governments, Crown corporations and corporations listed on prescribed Canadian stock exchanges, guaranteed investment certificates issued by Canadian trust companies and qualified investment contracts.

7. Pursuant to the Agreement, the definition of “Eligible Investment” means an investment which, at the time of purchase was an eligible business as defined in the Ontario Act or a permitted investment under the Ontario Act.

8. Pursuant to the Agreement, the definition of “Portfolio Company” means a business in which the Fund has made an Eligible Investment.

9. Pursuant to the Agreement, the definition of “Disposition Date” means the date the Fund receives the proceeds, whether in cash, securities or other property, from the disposition of an investment in a Portfolio Company.

10. Pursuant to the Agreement, the definition of “Income” means all interest, dividends, fees, capital gains and other distributions received by the Fund from its investment in a Portfolio Company.

11. The Fund has agreed to pay a performance bonus payable on the Disposition Date (the Performance Bonus) based on the realized gains and the cumulative performance of the Class A Share Investment Portfolio. Before any Performance Bonus is paid by the Fund on the realization of an Eligible Investment, the Class A Share Investment Portfolio must have:

    (a) earned sufficient Income to generate a rate of return on Eligible Investments in excess of a cumulative annualized threshold return of 6%. The Income on Eligible Investments includes investment gains and losses (realized and unrealized) earned and incurred since the inception of the Fund;

    (b) earned Income from the Eligible Investment which provides a cumulative investment return at an average annual rate in excess of 6% since the date of the investment; and

    (c) and fully recovered from the investment an amount equal to all principal invested in the Eligible Investment.

    Subject to all of the above, the Performance Bonus will be an amount equal 20% of all Income earned from each Eligible Investment provided that the payment of the Performance Bonus does not reduce the return to the Shareholders on the Class A Share Investment Portfolio below the threshold outlined in (a) above. The Fund will pay the Performance Bonus to the Manager and the service providers (the Service Providers) retained by the Manager in the proportion determined by the Manager from time to time and disclosed to the Shareholders.

    The threshold return shall be calculated on a compound annual basis only on capital actually invested in Eligible Investments.

12. Section 7.1 of NI 81-102 provides that a mutual fund shall not pay, or enter into arrangements that would require it to pay, and no securities of a mutual fund shall be sold on the basis that an investor would be required to pay, a fee that is determined by the performance if the mutual fund, unless the calculation and payment of the fee complies with paragraphs 7.1(a) and 7.1(b). Paragraph 7.1(a) and 7.1(b). Paragraph 7.1(a) requires that the fee be calculated with reference to a benchmark or index. Paragraph 7.1(b) requires that the payment of the fee be based on

a comparison of the cumulative total return of the mutual fund against the cumulative total percentage increase or decrease of the benchmark or index for the period that began immediately after the last period for which the performance fee was paid.

13. The Performance Bonus does not conform to the requirements of section 7.1 of NI 81-102. The Performance Bonus is based on realized gains and the cumulative performance of the Class A Share Investment Portfolio (and not in relation to a benchmark). The Performance Bonus is not based on the total return of the Fund because reserves are not included in the Class A Share Investment Portfolio and because the quantum of the Performance Bonus is calculated on an investment-by-investment basis.

14. The Fund is a labour sponsored fund; a labour sponsored fund is designed to encourage the public to invest in a vehicle that makes venture capital investments. The making of venture capital investments is substantially different from the types of investments generally made by public mutual funds. This fundamental difference is recognized in subsection 240(a) of the Regulation to the Act, which exempts labour sponsored investment fund corporations from a number of the ordinary investment restrictions contained in a rule, policy or practice of the Commission (including NI 81-102).

15. The basis for payment of the Performance Bonus, as described in Recital 11 (the Incentive Arrangement), is appropriate in light of the nature of venture capital investing and is consistent with those commonly used in the venture capital industry, and in particular, in private venture capital funds. The Fund believes that it needs to be able to offer an incentive fee arrangement similar to those of other venture capital funds in order to attract the necessary professional expertise to be able to carry out the investment operations and its mandate, which is a mandate already recognized by the Regulation to the Act.

16. The prospectus for the Fund:

    (a) Fully discloses that the Manager considers the Performance Bonus and the Incentive Arrangement to be appropriate given the disclosed investment objectives and strategies of the Fund; and

    (b) Provides an explanation of why the Performance Bonus and the Incentive Arrangement are appropriate for the Fund.

This letter confirms that, based on the information and representations contained in the Application, and for the purposes described in the Application, the Director hereby revokes and replaces the Prior Exemption with this exemption that the Fund is exempt from section 7.1 of NI 81-102 in respect of the Performance Bonus and Incentive Arrangement provided that:

i) the Manager fully discloses to the Shareholders that the Manager considers the Performance Bonus and the Incentive Arrangement to be appropriate given the disclosed investment objectives and strategies of the Fund and provides an explanation of why the Performance Bonus and the Incentive Arrangement are appropriate for the Fund; and

ii) the Service Providers are not dealers distributing securities of the Fund .

The relief provided herein is conditional upon compliance with all other applicable provisions of NI 81-102.

Yours truly,

"Leslie Byberg"
Manager, Investment Funds Branch

25.2.2 Union Securities Ltd. - Rule 31-502

Headnote

Previously registered salespersons of the Applicant are exempt from the post registration proficiency requirements under paragraph 2.1(2) of Rule 31-502 Proficiency Requirements for Registrants, subject to conditions.

Rules Cited

Ontario Securities Commission Rule 31-502 Proficiency Requirements for Registrants, ss. 2.1(2), 4.1

June 2, 2005

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

AND

IN THE MATTER OF
UNION SECURITIES LTD.

EXEMPTION ORDER
(Rule 31-502)

WHEREAS Union Securities Ltd. (the **Applicant)** has applied for an exemption pursuant to section 4.1 of Ontario Securities Commission Rule 31-502 – *Proficiency Requirements for Registrants* (the **Rule**) from the provisions of paragraph 2.1(2) of the OSC Proficiency Rule (the **OSC Requirement**).

AND WHEREAS, the OSC Requirement provides that the registration of a salesperson is suspended on the last day of the thirtieth month after the date registration as a salesperson was granted to that salesperson unless the salesperson has completed the Professional Financial Planning Course (the **PFP Course**) or the first course of the Canadian Investment Management Program (the **CIM Program**) and has delivered the prescribed notice to the Director of the Ontario Securities Commission;

AND WHEREAS unless otherwise defined or the context otherwise requires, terms used herein have the meaning set out in Ontario Securities Commission Rule14-501 – *Definitions*;

AND WHEREAS the Director has considered the application and the recommendation of staff of the Ontario Securities Commission;

AND WHEREAS the Applicant has represented to the Director that:

1. The Applicant was incorporated under the laws of British Columbia and is registered under the Act as a dealer in the category of investment dealer and is a member of the Investment Dealers Association of Canada (the **IDA**);

2. The requirement of the IDA that a registered representative (a **Salesperson**) of an investment dealer that is a member of the IDA (a **Dealer)** complete the first course of the CIM Program within thirty months of registration (the **IDA Requirement**) first became effective on January 1, 1994 (the **IDA Effective Date**);

3. Salespersons who were registered to trade on behalf of a Dealer in a jurisdiction immediately prior to the IDA Effective Date are exempt from the IDA Requirement;

4. The Rule, which became effective on August 17, 2000 (the **OSC Effective Date**), adopted and expanded the IDA Requirement but did not exempt Salespersons who were registered to trade on behalf of a Dealer in another jurisdiction prior to the IDA Effective Date from the OSC Requirement; and

5. Salespersons of the Applicant who have been registered to trade on behalf of a Dealer under the securities legislation of a jurisdiction other than Ontario immediately prior to the IDA Effective Date and who were first registered to trade on behalf of a Dealer under the Act after the OSC Effective Date are subject to the OSC Requirement;

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

NOW THEREFORE, pursuant to section 4.1 of the Rule, Salespersons of the Applicants are not subject to the OSC Requirement;

PROVIDED THAT:

(A) immediately prior to the IDA Effective Date, the particular Salesperson was registered under the securities legislation of one or more jurisdictions other than Ontario as a salesperson of a Dealer that was then registered under such legislation as an investment dealer (or the equivalent) and the registration of the Salesperson was not specifically restricted to the sale of mutual funds or non-retail trades; and

(B) after the IDA Effective Date, that Salesperson was either registered to trade on behalf of a Dealer continuously in one or more jurisdictions other than Ontario, or any period after the IDA Effective Date in which the Salesperson's registration to trade on behalf of a Dealer was suspended or in which the Salesperson was not so registered does not exceed three years;

(C) that Salesperson either is first registered under the Act to trade on behalf of a Dealer in Ontario after the date of this

exemption order or was first so registered no more than 30 months prior to the date hereof.

"David M. Gilkes"

25.2.3 Dundee Securities Corporation - Rule 31-502

Headnote

Salespersons of the Applicant who were previously registered in another Jurisdiction prior to January 1, 1994 are exempt from the post registration proficiency requirements under paragraph 2.1(2) of Rule 31-502 Proficiency Requirements for Registrants, subject to conditions.

Rules Cited

Ontario Securities Commission Rule 31-502 Proficiency Requirements for Registrants, ss. 2.1(2), 4.1.

July 8, 2005

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

AND

IN THE MATTER OF
DUNDEE SECURITIES CORPORATION

EXEMPTION ORDER
(Rule 31-502)

WHEREAS Dundee Securities Corporation (the **Applicant**) has applied for an exemption pursuant to section 4.1 of Ontario Securities Commission Rule 31-502 – *Proficiency Requirements for Registrants* (the **Rule**) from the provisions of paragraph 2.1(2) of the OSC Proficiency Rule (the **OSC Requirement**).

AND WHEREAS, the OSC Requirement provides that the registration of a salesperson is suspended on the last day of the thirtieth month after the date registration as a salesperson was granted to that salesperson unless the salesperson has completed the Professional Financial Planning Course (the **PFP Course**) or the first course of the Canadian Investment Management Program (the **CIM Program**) and has delivered the prescribed notice to the Director of the Ontario Securities Commission;

AND WHEREAS unless otherwise defined or the context otherwise requires, terms used herein have the meaning set out in Ontario Securities Commission Rule14-501 – *Definitions*;

AND WHEREAS the Director has considered the application and the recommendation of staff of the Ontario Securities Commission;

AND WHEREAS the Applicant has represented to the Director that:

1. The Applicant is organized under the laws of Ontario and is registered under the Act as a dealer in the category of investment dealer and is

a member of the Investment Dealers Association of Canada (the **IDA**);

2. The requirement of the IDA that a registered representative (a **Salesperson**) of an investment dealer that is a member of the IDA (a **Dealer**) complete the first course of the CIM Program within thirty months of registration (the **IDA Requirement**) first became effective on January 1, 1994 (the **IDA Effective Date**);

3. Salespersons who were registered to trade on behalf of a Dealer in a jurisdiction immediately prior to the IDA Effective Date are exempt from the IDA Requirement;

4. The Rule, which became effective on August 17, 2000 (the **OSC Effective Date**), adopted and expanded the IDA Requirement but did not exempt Salespersons who were registered to trade on behalf of a Dealer in another jurisdiction prior to the IDA Effective Date from the OSC Requirement; and

5. Salespersons of the Applicant who have been registered to trade on behalf of a Dealer under the securities legislation of a jurisdiction other than Ontario immediately prior to the IDA Effective Date and who were first registered to trade on behalf of a Dealer under the Act after the OSC Effective Date are subject to the OSC Requirement;

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

NOW THEREFORE, pursuant to section 4.1 of the Rule, Salespersons of the Applicants are not subject to the OSC Requirement;

PROVIDED THAT:

(A) immediately prior to the IDA Effective Date, the particular Salesperson was registered under the securities legislation of one or more jurisdictions other than Ontario as a salesperson of a Dealer that was then registered under such legislation as an investment dealer (or the equivalent) and the registration of the Salesperson was not specifically restricted to the sale of mutual funds or non-retail trades; and

(B) after the IDA Effective Date, that Salesperson was either registered to trade on behalf of a Dealer continuously in one or more jurisdictions other than Ontario, or any period after the IDA Effective Date in which the Salesperson's registration to trade on behalf of a Dealer was suspended or in which the Salesperson was not so registered does not exceed three years;

(C) that Salesperson either is first registered under the Act to trade on behalf of a Dealer in Ontario after the date of this exemption order or was first so registered no more than 30 months prior to the date hereof.

"David M. Gilkes"

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