

DIALOGUE WITH THE OSC 2006

Issues in Focus



Friday, November 10, 2006

Metro Toronto Convention Centre, South Building

REGISTER ONLINE

www.osc.gov.on.ca/dialogue

KEYNOTE SPEAKER

DAVID WILSON, CHAIR, ONTARIO SECURITIES COMMISSION

GUEST SPEAKERS

HON. GERRY PHILLIPS, ONTARIO MINISTER RESPONSIBLE FOR SECURITIES REGULATION

DAVID BEATTY, MANAGING DIRECTOR, CANADIAN COALITION FOR GOOD GOVERNANCE

DIALOGUE WITH THE OSC 2006

Looking to participate in a dialogue on the key issues and developments impacting the regulation of capital markets? Join senior OSC staff and industry leaders at **Dialogue with the OSC 2006: Issues in Focus** for in-depth discussions on the major regulatory issues of the day, including topics related to enforcement, corporate finance, investment funds, market structures and governance.

Dialogue with the OSC will feature discussions on:

- The Fight against Economic Crime in Canada
- The Changing SRO Landscape
- Fostering a Regulatory System to Support Small and Medium-sized Enterprises

And much more.....

Keynote Speaker: David Wilson, Chair, Ontario Securities Commission

Guest Speakers: Hon. Gerry Phillips, Minister of Government Services, and David Beatty, Managing Director, Canadian Coalition for Good Governance

You will also hear from:

Hon. Michael Bryant, Attorney General of Ontario

Giuliano Zaccardelli, Commissioner, RCMP

Richard Nesbitt, CEO, TSX Group

Stephen Luparello, Senior Executive Vice President, Market Regulation and US Exchange Solutions, NASD

Walter Ricciardi, Deputy Director of Enforcement, US Securities and Exchange Commission

Register Now for Early Bird Savings!

Take advantage of the early bird registration fee of \$400 until October 13, 2006. After that date the fee is \$450. The registration fee includes conference materials, continental breakfast, lunch and refreshments.

This conference is eligible for up to 6.5 hours of IDA Continuing Education Credits. To register, visit:

www.osc.gov.on.ca/dialogue or call 1.800.465.9670.

The Ontario Securities Commission

OSC Bulletin

October 13, 2006

Volume 29, Issue 41

(2006), 29 OSCB

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

Published under the authority of the Commission by:

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

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

Contact Centre - Inquiries, Complaints:

Capital Markets Branch:

- Registration:

Corporate Finance Branch:

- Team 1:

- Team 2:

- Team 3:

- Insider Reporting

- Take-Over Bids:

Enforcement Branch:

Executive Offices:

General Counsel's Office:

Office of the Secretary:

Fax: 416-593-8122

Fax: 416-593-3651

Fax: 416-593-8283

Fax: 416-593-8244

Fax: 416-593-3683

Fax: 416-593-8252

Fax: 416-593-3666

Fax: 416-593-8177

Fax: 416-593-8321

Fax: 416-593-8241

Fax: 416-593-3681

Fax: 416-593-2318



The OSC Bulletin is published weekly by Carswell, under the authority of the Ontario Securities Commission.

Subscriptions are available from Carswell at the price of \$549 per year.

Subscription prices include first class postage to Canadian addresses. Outside Canada, these airmail postage charges apply on a current subscription:

| | |
|-----------------------|-------|
| U.S. | \$175 |
| Outside North America | \$400 |

Single issues of the printed Bulletin are available at \$20 per copy as long as supplies are available.

Carswell also offers every issue of the Bulletin, from 1994 onwards, fully searchable on *SecuritiesSource*[™], Canada's pre-eminent web-based securities resource. *SecuritiesSource*[™] also features comprehensive securities legislation, expert analysis, precedents and a weekly Newsletter. For more information on *SecuritiesSource*[™], as well as ordering information, please go to:

<http://www.westlawecarswell.com/SecuritiesSource/News/default.htm>

or call Carswell Customer Relations at 1-800-387-5164
(416-609-3800 Toronto & Outside of Canada)

Claims from bona fide subscribers for missing issues will be honoured by Carswell up to one month from publication date. Space is available in the Ontario Securities Commission Bulletin for advertisements. The publisher will accept advertising aimed at the securities industry or financial community in Canada. Advertisements are limited to tombstone announcements and professional business card announcements by members of, and suppliers to, the financial services industry.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the publisher.

The publisher is not engaged in rendering legal, accounting or other professional advice. If legal advice or other expert assistance is required, the services of a competent professional should be sought.

© Copyright 2006 Ontario Securities Commission
ISSN 0226-9325
Except Chapter 7 ©CDS INC.



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>
Email: carswell.orders@thomson.com

Table of Contents

| | |
|---|--|
| <p>Chapter 1 Notices / News Releases 8043</p> <p>1.1 Notices 8043</p> <p>1.1.1 Current Proceedings Before The Ontario Securities Commission 8043</p> <p>1.2 Notices of Hearing..... 8045</p> <p>1.2.1 Atlas Cold Storage Income Trust - s. 127 8045</p> <p>1.2.2 Atlas Cold Storage Income Trust - ss. 104(2), 127 8046</p> <p>1.2.3 Norshield Asset Management (Canada) Ltd. et al. -ss. 127, 127.1..... 8047</p> <p>1.3 News Releases (nil)</p> <p>1.4 Notices from the Office of the Secretary ... 8053</p> <p>1.4.1 Atlas Cold Storage Income Trust..... 8053</p> <p>1.4.2 Atlas Cold Storage Income Trust..... 8053</p> <p>1.4.3 Norshield Asset Management (Canada) Ltd. et al..... 8054</p> <p>Chapter 2 Decisions, Orders and Rulings 8055</p> <p>2.1 Decisions 8055</p> <p>2.1.1 Superior Plus Inc. - s. 83 8055</p> <p>2.1.2 724 Solutions Inc. - MRRS Decision..... 8056</p> <p>2.1.3 Barrick Gold Corporation - s. 100(6) of the SA 8057</p> <p>2.2 Orders..... 8059</p> <p>2.2.1 Deer Ridge Village Limited Partnership and Everest Canadian Properties Company - s. 144 8059</p> <p>2.2.2 724 Solutions Inc. - s. 1(6) of the OBCA..... 8061</p> <p>2.2.3 Nickel Asia Corp..... 8062</p> <p>2.3 Rulings (nil)</p> <p>Chapter 3 Reasons: Decisions, Orders and Rulings (nil)</p> <p>3.1 OSC Decisions, Orders and Rulings (nil)</p> <p>3.2 Court Decisions, Order and Rulings..... (nil)</p> <p>Chapter 4 Cease Trading Orders 8065</p> <p>4.1.1 Temporary, Permanent & Rescinding Issuer Cease Trading Orders 8065</p> <p>4.2.1 Temporary, Permanent & Rescinding Management Cease Trading Orders 8065</p> <p>4.2.2 Outstanding Management & Insider Cease Trading Orders 8065</p> <p>Chapter 5 Rules and Policies..... (nil)</p> <p>Chapter 6 Request for Comments..... (nil)</p> <p>Chapter 7 Insider Reporting..... 8067</p> | <p>Chapter 8 Notice of Exempt Financings..... 8167</p> <p>Reports of Trades Submitted on Forms 45-106F1 and Form 45-501F1..... 8167</p> <p>Chapter 9 Legislation.....(nil)</p> <p>Chapter 11 IPOs, New Issues and Secondary Financings..... 8171</p> <p>Chapter 12 Registrations..... 8179</p> <p>12.1.1 Registrants..... 8179</p> <p>Chapter 13 SRO Notices and Disciplinary Proceedings 8181</p> <p>13.1.1 IDA By-law Nos. 21 and 41 and Form 1 - Amendments to Reflect Changes to CIPF Oversight Role 8181</p> <p>13.1.2 IDA Regulations 100.9 and 100.10 - Amendments to Recognize Three Complex Option Offset Strategies and to Expand the List of Available Option Spreads Involving Individual Equities 8190</p> <p>13.1.3 IDA Regulations 100.4A, 100.4B, 100.4C, 100.4D, 100.4E and 100.4K – Extending Debt Offsets to Customer Positions 8203</p> <p>Chapter 25 Other Information 8213</p> <p>25.1 Consents 8213</p> <p>25.1.1 ROC Pref II Corp. - s. 4(b) of the Regulation 8213</p> <p>25.1.2 ROC Pref III Corp. - s. 4(b) of the Regulation 8214</p> <p>Index..... 8215</p> |
|---|--|

Chapter 1

Notices / News Releases

1.1 Notices

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

OCTOBER 13, 2006

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

CDS

TDX 76

Late Mail depository on the 19th Floor until 6:00 p.m.

THE COMMISSIONERS

| | | |
|----------------------------------|---|-----|
| W. David Wilson, Chair | — | WDW |
| Paul M. Moore, Q.C., Vice-Chair | — | PMM |
| Susan Wolburgh Jenah, Vice-Chair | — | SWJ |
| Paul K. Bates | — | PKB |
| Robert W. Davis, FCA | — | RWD |
| Harold P. Hands | — | HPH |
| David L. Knight, FCA | — | DLK |
| Patrick J. LeSage | — | PJL |
| Carol S. Perry | — | CSP |
| Robert L. Shirriff, Q.C. | — | RLS |
| Suresh Thakrar, FIBC | — | ST |
| Wendell S. Wigle, Q.C. | — | WSW |

SCHEDULED OSC HEARINGS

October 16, 2006 **Atlas Cold Storage Income Trust**

10:00 a.m. s.104

Y. Chisholm in attendance for Staff

Panel: SWJ/RWD/ST

October 19, 2006 **Euston Capital Corporation and George Schwartz**

10:00 a.m. s. 127

Y. Chisholm in attendance for Staff

Panel: WSW/ST

October 20, 2006 **Olympus United Group Inc.**

10:00 a.m. s.127

M. MacKewn in attendance for Staff

Panel: TBA

October 20, 2006 **Norshield Asset Management (Canada) Ltd.**

10:00 a.m. s.127

M. MacKewn in attendance for Staff

Panel: TBA

October 30, 2006 **Limelight Entertainment Inc., Carlos A. Da Silva, David C. Campbell, Jacob Moore and Joseph Daniels**

10:00 a.m. s. 127 and 127.1

D. Ferris in attendance for Staff

Panel: PMM/ST

November 6, 2006 **Robert Patrick Zuk, Ivan Djordjevic, Matthew Noah Coleman, Dane Alan Walton, Derek Reid and Daniel David Danzig**

10:00 a.m. s. 127

J. Waechter in attendance for Staff

Panel: TBA

| | | | |
|--------------------------|---|-----|--|
| November 8, 2006 | Juniper Fund Management Corporation, Juniper Income Fund, Juniper Equity Growth Fund and Roy Brown (a.k.a. Roy Brown-Rodrigues) | TBA | Cornwall et al s. 127 K. Manarin in attendance for Staff Panel: TBA |
| | s.127 and 127.1 D. Ferris in attendance for Staff Panel: SWJ/ST | TBA | John Illidge, Patricia McLean, David Cathcart, Stafford Kelley and Devendranauth Misir |
| November 21, 2006 | First Global Ventures, S.A. and Allen Grossman | | S. 127 & 127.1 K. Manarin in attendance for Staff Panel: TBA |
| 10:00 a.m. | s. 127 D. Ferris in attendance for Staff Panel: PMM/ST | TBA | Hollinger Inc., Conrad M. Black, F. David Radler, John A. Boulton and Peter Y. Atkinson |
| December 5, 6, & 7, 2006 | Jose Castaneda | | s.127 J. Superina in attendance for Staff Panel: TBA |
| 10:00 a.m. | s. 127 and 127.1 T. Hodgson in attendance for Staff Panel: TBA | TBA | Mega-C Power Corporation, Rene Pardo, Gary Usling, Lewis Taylor Sr., Lewis Taylor Jr., Jared Taylor, Colin Taylor and 1248136 Ontario Limited |
| May 23, 2007 | Eugene N. Melnyk, Roger D. Rowan, Watt Carmichael Inc., Harry J. Carmichael and G. Michael McKenney | | S. 127 A Sonnen in attendance for Staff Panel: TBA |
| 10:00 a.m. | s. 127 and 127.1 J. Superina in attendance for Staff Panel: TBA | TBA | Bennett Environmental Inc.*, John Bennett, Richard Stern, Robert Griffiths and Allan Bulckaert* |
| October 12, 2007 | Firestar Capital Management Corp., Kamposse Financial Corp., Firestar Investment Management Group, Michael Ciavarella and Michael Mitton | | P. Foy in attendance for Staff Panel: TBA * settled June 20, 2006 |
| | s. 127 H. Craig in attendance for Staff Panel: TBA | TBA | Momentas Corporation, Howard Rash, Alexander Funt, Suzanne Morrison* and Malcolm Rogers* |
| TBA | Yama Abdullah Yaqeen | | s. 127 and 127.1 P. Foy in attendance for Staff Panel: WSW/RWD/CSP * Settled April 4, 2006 |
| | s. 8(2) J. Superina 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

Andrew Stuart Netherwood Rankin

Philip Services Corp., Allen Fracassi**, Philip Fracassi**, Marvin Boughton**, Graham Hoey**, Colin Soule*, Robert Waxman and John Woodcroft**

* Settled November 25, 2005

** Settled March 3, 2006

Portus Alternative Asset Management Inc., Portus Asset Management Inc., Boaz Manor, Michael Mendelson, Michael Labanowich and John Ogg

John Daubney and Cheryl Littler

Maitland Capital Ltd., Allen Grossman, Hanouch Ulfan, Leonard Waddingham, Ron Garner, Gord Valde, Marianne Hyacinthe, Diana Cassidy, Ron Catone, Steven Lanys, Roger McKenzie, Tom Mezinski, William Rouse and Jason Snow

1.2 Notices of Hearing

1.2.1 Atlas Cold Storage Income Trust - s. 127

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

AND

**IN THE MATTER OF
ATLAS COLD STORAGE INCOME TRUST**

**NOTICE OF HEARING
(Section 127)**

WHEREAS Eimskip Atlas Canada Inc., KingStreet Real Estate Growth LP No.2 and Avion Group HF (the "Applicants") have requested that the Commission convene a hearing to consider matters in connection with the Applicant's offer to acquire the outstanding units of Atlas Cold Storage Income Trust;

TAKE NOTICE that the Commission will hold a hearing pursuant to section 127 of the Act at the Commission's offices at 20 Queen Street West, 17th Floor Hearing Room, Toronto, Ontario commencing on Thursday, October 12, 2006 at 10:00 a.m., or as soon as possible after that time, to consider whether the Commission should make an order under section 127 of the Act as the Commission deems appropriate;

AND TAKE FURTHER NOTICE that any party to the proceedings may be represented by counsel if he or she attends or submits evidence at the hearing; and

AND TAKE FURTHER NOTICE upon failure of any party to attend at the time and place set for the hearing, the hearing may proceed in the absence of that party and the party is not entitled to any further notice of the proceeding.

BY REASON OF the application dated September 28, 2006 filed by the Applicants with the Office of the Secretary of the Ontario Securities Commission.

DATED at Toronto, this 5th day of October, 2006.

"John P. Stevenson"
Secretary to the Commission

**1.2.2 Atlas Cold Storage Income Trust - ss. 104(2),
127**

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

AND

**IN THE MATTER OF
ATLAS COLD STORAGE INCOME TRUST**

**AMENDED NOTICE OF HEARING
(Subsection 104(2) and section 127)**

WHEREAS Eimskip Atlas Canada Inc., KingStreet Real Estate Growth LP No.2 and Avion Group HF (the "Applicants") have requested that the Commission convene a hearing to consider whether it is in the public interest to order that trading cease in respect of the securities issued, or to be issued, in connection with the unitholder rights plan adopted by Atlas Cold Storage Income Trust ("Atlas") on August 4, 2006;

AND WHEREAS on October 5, 2006, the Commission issued a notice that such a hearing would be held commencing on Thursday, October 12, 2006;

AND WHEREAS the Applicants have subsequently requested that the Commission convene a hearing to consider other matters in connection with the Applicants' offer to acquire the outstanding units of Atlas;

TAKE NOTICE that the Commission will hold a hearing pursuant to subsection 104(2) and section 127 of the Act at the Commission's offices at 20 Queen Street West, 17th Floor Hearing Room, Toronto, Ontario commencing on Monday, October 16, 2006 at 10:00 a.m., or as soon as possible after that time, to consider whether the Commission should make an order under subsection 104(2) and/or section 127 of the Act, as the Commission deems appropriate;

AND TAKE FURTHER NOTICE that any party to the proceedings may be represented by counsel if he or she attends or submits evidence at the hearing; and

AND TAKE FURTHER NOTICE upon failure of any party to attend at the time and place set for the hearing, the hearing may proceed in the absence of that party and the party is not entitled to any further notice of the proceeding.

BY REASON OF the applications dated September 28, 2006 and October 5, 2006 filed by the Applicants with the Office of the Secretary of the Ontario Securities Commission.

DATED at Toronto, this 6th day of October, 2006.

"John Stevenson"
Secretary to the Commission

**1.2.3 Norshield Asset Management (Canada) Ltd. et
al. - ss. 127, 127.1**

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

AND

**NORSHIELD ASSET MANAGEMENT (CANADA) LTD.,
OLYMPUS UNITED GROUP INC.,
JOHN XANTHOUDAKIS, DALE SMITH
AND PETER KEFALAS**

**NOTICE OF HEARING
OF STAFF OF THE
ONTARIO SECURITIES COMMISSION
(Sections 127 and 127.1)**

TAKE NOTICE THAT the Ontario Securities Commission (the "Commission") will hold a hearing pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") at the offices of the Commission, 20 Queen Street West, 17th Floor, Large Hearing Room, commencing on October 20, 2006 at 10 a.m., or as soon thereafter as the hearing can be held:

AND TAKE NOTICE the purpose of the hearing is to consider whether it is in the public interest for the Commission to make an order that:

- (a) pursuant to clause 2 of subsection 127(1), trading in any securities by Norshield Asset Management (Canada) Ltd. ("Norshield"), Olympus United Group Inc. ("Olympus"), John Xanthoudakis ("Xanthoudakis"), Dale Smith ("Smith") and Peter Kefalas ("Kefalas") cease permanently or for such other period as specified by the Commission;
- (b) pursuant to clause 3 of subsection 127(1), any exemptions contained in Ontario securities law do not apply to Norshield, Olympus, Xanthoudakis, Smith and Kefalas permanently or for such other period as specified by the Commission;
- (c) pursuant to clause 8 of subsection 127(1), Xanthoudakis, Smith and Kefalas be prohibited from becoming or acting as a director or officer of any issuer;
- (d) pursuant to clause 7 of subsection 127(1), Xanthoudakis, Smith and Kefalas resign one or more positions they hold as a director or officer of an issuer;
- (e) pursuant to clause 9 of subsection 127(1), Norshield, Olympus, Xanthoudakis, Smith and Kefalas or any of them, pay an administrative penalty of

not more than \$1 million for each failure to comply with Ontario securities law to the Commission or RSM Richter Inc. as receiver or trustee over the assets, undertakings and property of Norshield, Olympus and related entities (the "Receiver/Trustee"), for allocation to or for the benefit of third parties;

- (f) pursuant to clause 10 of subsection 127(1), Norshield, Olympus, Xanthoudakis, Smith and Kefalas or any of them, disgorge to the Commission any amount obtained as a result of non-compliance with securities law, for allocation, through the Receiver/Trustee, if appropriate, to or for the benefit of third parties;
- (g) pursuant to clause 6 of subsection 127(1), Xanthoudakis, Smith and Kefalas be reprimanded;
- (h) pursuant to section 127.1, Xanthoudakis, Smith and Kefalas be ordered to pay the costs of the investigation and the costs of or related to the hearing incurred by or on behalf of the Commission;
- (i) if necessary, pursuant to clause 7 of subsection 127(7), the temporary orders made respectively against Norshield and Olympus on May 13, 2005 and May 20, 2005 be extended to the conclusion of the hearing; and
- (j) such other order as the Commission may consider appropriate.

BY REASON OF the allegations set out in the Statement of Allegations of Staff dated October 11, 2006, and such additional allegations as counsel may advise and the Commission may permit;

AND TAKE FURTHER NOTICE that any party to the proceeding may be represented by counsel if that party attends or submits evidence at the hearing;

AND TAKE FURTHER NOTICE that in the event that the Commission determines that any of Norshield, Olympus, Xanthoudakis, Smith and Kefalas has not complied with Ontario securities law, Staff may request the Commission to consider whether, in the opinion of the Commission, an application should be made to the Superior Court of Justice for a declaration pursuant to section 128(1) of the Act that such persons have not complied with Ontario securities law, and that if such declaration be made, the Superior Court of Justice make such orders pursuant to section 128(3) of the Act as it considers appropriate.

AND TAKE FURTHER NOTICE that upon failure of any party to attend at the time and place aforesaid, the

hearing may proceed in the absence of that party and such party is not entitled to any further notice of the proceeding.

DATED at Toronto this 11th day of October, 2006.

"John Stevenson"
Secretary to the Commission

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

AND

**NORSHIELD ASSET MANAGEMENT (CANADA) LTD.,
OLYMPUS UNITED GROUP INC.,
JOHN XANTHOUDAKIS, DALE SMITH
AND PETER KEFALAS**

**STATEMENT OF ALLEGATIONS
OF STAFF OF THE
ONTARIO SECURITIES COMMISSION**

1. Further to a Notice of Hearing dated October 11, 2006, Staff of the Ontario Securities Commission ("Staff") make the following allegations:

I. BACKGROUND

2. Norshield Asset Management (Canada) Ltd. ("NAM") is a corporation incorporated pursuant to the laws of Canada on September 25, 1996. Its head office is located in Montreal, Quebec. NAM has been registered under Quebec securities law as an adviser with an unrestricted practice since December 4, 1996. On May 31, 2000, NAM was registered under Ontario securities law with the Ontario Securities Commission (the "Commission") as an Investment Counsel and Portfolio Manager ("ICPM"). On November 5, 2003, NAM's registration was changed to ICPM, Commodity Trading Counsel and Commodity Trading Manager. NAM's registration was suspended by the Commission on May 20, 2005.

3. Prior to 1996, NAM carried on business as: GIC Commodity Advisors of USA, GIC Asset Management Ltd. and Norshield Asset Management Ltd.

4. Olympus United Group Inc. ("Olympus") is a corporation originally incorporated under the name Norshield Fund Management Ltd. ("NFML"). NFML was incorporated pursuant to the laws of Canada on September 1, 1994 and changed its name to Olympus on May 16, 2002. From April 21, 1998 until the suspension of its registration by the Commission on May 16, 2005, Olympus was registered under Ontario securities law as a Limited Market Dealer and Mutual Fund Dealer. Olympus' head office is registered in Ontario.

5. From 1993 to May of 2005, by way of Offering Memorandum, Olympus marketed and sold to Canadian accredited retail investors (the "Retail Investors") a variety of hedge funds through which it was alleged they could, through a complex and multi-jurisdictional structure, pursue a trading strategy or series of strategies (the "Norshield Investment Structure"). At all material times, NAM (or one of its predecessor corporations) acted as

manager for the Norshield Investment Structure. John Xanthoudakis ("Xanthoudakis") held, at all material times through a corporate structure, a majority ownership interest in NAM and its related Canadian entities.

6. Until the appointment of RSM Richter Inc. ("Richter") as Receiver on June 29, 2005, Xanthoudakis was the owner, Chief Executive Officer, director and sole shareholder of NAM and its predecessor corporations and was both an officer and director of Olympus, serving as an officer since 1998. At all material times, Xanthoudakis was also either an officer, director and/or part of the directing mind of some or all of the numerous additional corporate entities involved in the Norshield Investment Structure described herein.

7. Dale Smith ("Smith") has been registered as a chartered accountant in the province of Quebec since 1973. In or about September of 1998, Smith commenced employment with Xanthoudakis as Chief Financial Officer of the Norshield Financial Group ("NFG"), an aggregation of numerous Norshield entities including NAM. Smith served as an officer, director and/or part of the directing mind of NAM from May, 2000 and Olympus from December, 1999 until his purported resignation in March, 2005. In 2000 or 2001, Smith's title was changed to President and Chief Operating Officer of the NFG.

8. Smith also served as an officer, director and/or part of the directing mind of several of the additional entities involved in the Norshield Investment Structure, including: Olympus United Bank and Trust SCC (from June, 1999 as director and January, 2003 as President and Chief Executive Officer), Olympus United Funds Corporation (from June 1999 as director and January, 2003 as Chairman and Chief Executive Officer), Olympus Uninvest (from January, 2003 as a member of the Board) and numerous of the entities comprising the Channel Funds (from 1998 onwards).

9. Peter Kefalas ("Kefalas") was employed at NAM (or one of its predecessor corporations) from March, 1985 to April, 2005. In December of 1996 Kefalas was registered under Quebec securities law as the Officer Responsible for NAM. Kefalas confirmed to the Ontario Securities Commission his role as Investment Adviser and Senior Analyst for NAM in March, 2000.

10. Kefalas' registration under Ontario securities law in relation to NAM was as follows:

(a) Officer and Director from May 31, 2000 to November 19, 2004;

- (b) Compliance Officer from May 31, 2000 to February 19, 2003;
 - (c) Ultimate Responsible Person from August 25, 2004 to November 19, 2004; and
 - (d) Advising Representative from November 19, 2004 to April 25, 2005.
11. As a director of NAM, Kefalas approved annual audited financial statements, the last one being June 30, 2004. As the designated Compliance Officer, Kefalas was required to and did undertake to the Commission (including on November 26, 2002) that he would perform the duties set out in Part 1.3 of OSC Rule 31-505.
12. Despite his designation as Compliance Officer between May 31, 2000 and February 19, 2003, Kefalas admitted that he did not at any time during that period perform a compliance function at Norshield.
- II. THE NORSHIELD INVESTMENT STRUCTURE**
13. Between 1993 and May, 2005, the investments purchased and redeemed by Retail Investors in the Norshield Investment Structure totalled approximately \$293 million and \$161 million, respectively. Of the approximate \$293 million invested by Retail Investors, approximately \$265 million was invested between 2001 and 2005.
14. As of June 30, 2005, approximately 1,900 Retail Investors had aggregate outstanding claims of \$132 million against Norshield related companies arising out of investments made by them in the Norshield Investment Structure.
15. It appears that the Norshield Investment Structure involved a multitude of jurisdictions and corporations as follows:
- (a) By way of its Offering Memorandum, Olympus sold to accredited Retail Investors a variety of hedge funds through which they could pursue a trading strategy or series of strategies. These investments were sold as one or more of twelve classes of shares in Olympus United Funds Corporation ("Olympus United"), a company incorporated pursuant to the laws of Canada;
 - (b) Monies from the Retail Investors then flowed in segregated cells designed to follow the investor's chosen trading strategy to Olympus United Bank and Trust SCC ("Olympus Bank"), a company incorporated pursuant to the laws of Barbados;
 - (c) Of these assets, 10-15% remained at the Olympus Bank level and were invested with certain hedge fund managers as part of an "overlay" or "tactical trading" program. The balance of the assets (85-90%) were invested into Olympus Uninvest ("Uninvest"), a company incorporated pursuant to the laws of the Bahamas;
 - (d) At the Uninvest level, the assets originating from Retail Investors were commingled with institutional investment funds and direct investments of cash or cash equivalents and assets in kind. At the Uninvest level, investors received preference shares issued by Uninvest. As of September 30, 2003, the consolidated net assets of Olympus Uninvest had an assigned book value of approximately US \$430 million;
 - (e) These assets were in turn invested into Mosaic Composite Ltd. ("Mosaic"), another company incorporated pursuant to the laws of the Bahamas. Mosaic notionally segregated its assets into hedged and non-hedged assets;
 - (f) Mosaic's notionally segregated hedged assets were principally comprised of a cash settled equity barrier call option with the Royal Bank of Canada (the "RBC Option"). The RBC Option provided Mosaic with exposure to a basket of portfolio investments through the payment of a premium in the approximate amount of 15-25% of the basket. The difference between the premium and the exposure is the leverage inherent in the RBC Option.
 - (i) As of June 30, 2005, it appears that for a premium of approximately \$37 million, Mosaic was provided exposure to a basket of investments and securities valued at approximately \$221 million.
 - (ii) In November, 2004, under the direction of Xanthoudakis and/or Smith, Mosaic purportedly assigned its interest in the RBC Option to MS-II, a non-arms length Cayman Islands entity, in exchange for Class A and B shares of MS-II. As at November, 2004, MS-II appears to have been a dormant shell company with no assets.

- (iii) In or around late 2004 or early 2005, Mosaic conveyed its Class A shares of MS-II to subsidiaries of Merrill Lynch International for a total of approximately \$30 million;
- (iv) Subsequently, the RBC Option was liquidated upon which a premium of approximately \$44 million was realized.
- (g) The other component of Mosaic's notionally segregated hedged assets consisted of managed futures and tactical trading. These assets generally represented approximately 10-15% of the aggregate value of the Olympus Univest assets and were managed, at all material times, by NAM; and
- (h) The non-hedged assets of Mosaic consisted primarily of shares and debentures in a group of entities collectively referred to as the "Channel Funds," all of which were incorporated pursuant to the laws of the Bahamas. These assets had, as at September 30, 2003, an assigned book value of \$368 million.

III. BREACHES OF DUTY TO INVESTORS AND FAILURE TO KEEP PROPER BOOKS AND RECORDS

A. Unexplained and Undocumented Depletion of Assets

- 16. Of the \$132 million in claims outstanding that is referred to in paragraph 15 above, the Court reports filed by the Receiver as of November 15, 2005 indicate a maximum gross recovery of approximately \$8.5 million for Retail Investors up to the Olympus Bank level and potential further recovery in respect of the RBC Option. Such recoveries, however, could be significantly diluted by competing claims and litigation expense.
- 17. The Receiver also reports that the vast majority of the investments allegedly made in the Channel Funds were placed into non-arms length entities which have little or no realizable value.
- 18. It therefore appears that recovery for Retail Investors in the Norshield Investment Structure will be nominal.
- 19. No audited financial statements were prepared or filed for any of the entities referred to in the Norshield Investment Structure (with the exception of NAM) for financial periods after September 30, 2003. Adequate books and records in relation to the flow of funds through the Norshield Investment

- Structure during the material time have not been produced nor has any documentation with respect to transactions occurring after September 30, 2003 been produced.
- 20. To date, each of Xanthoudakis, Smith and Kefalas has been unable or unwilling to adequately describe and account for the flow of funds through the Norshield Investment Structure. They have also been unable or unwilling to provide documentation in relation to the corporate entities involved in the Norshield Investment Structure outside of Canada.
- 21. Given their positions of seniority and responsibility, as described above, each of Xanthoudakis, Smith and Kefalas had a duty to ensure that the best interests of Retail Investors were being served. The fulfillment of such duty was dependent upon an adequate understanding and good faith implementation of the Norshield Investment Structure.
- 22. Participating, authorizing, permitting or acquiescing in the acceptance and/or redemptions of investments by Retail Investors in light of the aforementioned impairments, over-valuations and outstanding redemption requests impacting liquidity, of which Xanthoudakis, Smith and Kefalas were or should have been aware, was contrary to the best interests of investors.
- 23. In addition, each of Xanthoudakis, Smith and Kefalas were required, as a matter of law, to take all reasonable steps to ensure that proper and compliant books and records were kept in relation to the Norshield Investment Structure.
- B. False Net Asset Values**
- 24. From at least the inception of the RBC Option in August of 1999, the method used to calculate the Net Asset Value ("NAV") of the various classes of shares of the Norshield Investment Structure entities was improper. NAV calculations were based on the underlying value of the hedged assets of Mosaic without taking into account the investments allegedly made in the Channel Funds or the significant leverage associated with the hedged assets. As a consequence, subscription and redemption values were significantly inflated.
- 25. To date, each of Xanthoudakis, Smith and Kefalas have been either unable or unwilling to provide a reasonable explanation and/or documentation with respect to the NAV calculation.
- 26. In light of the actual application of funds through the Norshield Investment Structure, of which Xanthoudakis, Smith and Kefalas were or should have been aware, there could be no reasonable reliance by them on third parties engaged to provide valuations for partial assets.

27. Given their positions of seniority and responsibility, as described above, in order to fulfill their duties to the Retail Investors, each of Xanthoudakis, Smith and Kefalas should have taken all reasonable steps to ensure the accuracy and legality of the NAV calculations.

IV. MISLEADING OR UNTRUE OFFERING MEMORANDUM

28. In the Offering Memorandum filed with the Commission and distributed to Retail Investors during the material time, Olympus failed to disclose:

- (a) the non-segregation of assets;
- (b) the illiquid nature of the investments in the Channel Funds;
- (c) the alleged acceptance by Olympus Uninvest of subscriptions "in kind;"
- (d) the apparent ability of "in kind" subscribers to redeem their shares for cash;
- (e) the identity of alleged "in kind" subscribers;
- (f) the nature of the "in kind" assets allegedly invested; and
- (g) the basis of the valuation for the "in kind" subscriptions.

29. The above deficiencies in the Offering Memorandum, both individually and on a cumulative basis, rendered it materially misleading and/or untrue in respect of the nature, level and type of investments in the Norshield Investment Structure.

30. Given their positions of seniority and authority, each of Xanthoudakis and Smith knew or should have known that the Offering Memorandum was materially misleading and/or untrue.

V. XANTHOUDAKIS AND SMITH MATERIALLY MISLED STAFF

31. During Staff's investigation of this matter, Xanthoudakis led Staff to believe that a significant portion of the investments of Retail Investors were ultimately placed in the RBC Option through Mosaic.

32. Xanthoudakis failed to inform Staff of the existence of the Channel Funds and the purported roles of both Mosaic and Channel Funds in the Norshield Investment Structure. With respect to the investments in the Channel Funds, Xanthoudakis also failed to inform Staff that:

- (a) he had known since at least 2002 that numerous of the alleged investments in the Channel Funds were impaired;
- (b) Smith (whom Xanthoudakis knew or should have known was responsible for reviewing the financial statements for the Channel Funds and whom Xanthoudakis knew or should have known sat on the board of numerous of the entities comprising the Channel Funds) had told him in 2004 that he was concerned about the valuations for some of the investments in the Channel Funds; and
- (c) the investments in the Channel Funds were not accounted for in NAV calculations.

33. As a consequence of the foregoing conduct, Xanthoudakis materially misled Staff in respect of the legitimacy, realizable value, and liquidity of the investments in the Norshield Investment Structure.

34. During Staff's investigation of this matter, Smith also led Staff to believe that a significant portion of the investments made by the Retail Investors were ultimately placed in the RBC Option.

35. Smith failed to inform Staff of the existence of the Channel Funds and the purported roles of both Mosaic and the Channel Funds in the Norshield Investment Structure. With respect to the investments in the Channel Funds, Smith failed to inform Staff that:

- (a) he had served as a board member for numerous of the entities comprising the Channel Funds;
- (b) he was responsible for reviewing the financial statements in respect of Mosaic, the Channel Funds and Uninvest;
- (c) at least as early as 2004, he had developed serious concerns as to the valuations ascribed to some of the investments in the Channel Funds;
- (d) he resigned from NAM in March, 2005 as a result of his concerns over the value of the investments in the Channel Funds;
- (e) he had informed Xanthoudakis (and others in positions of authority) of his concerns regarding the value of the investments in the Channel Funds; and
- (f) the failure to file audited financial statements in respect of the Norshield Investment Structure (as described above) was a result of delays by auditors at the Channel Funds level.

36. As a consequence of the foregoing conduct, Smith materially misled Staff in respect of the legitimacy, realizable value and liquidity of the investments in the Norshield Investment Structure.

VI. FAILURE TO SAFEGUARD NORSHIELD DOCUMENTS

37. During Staff's investigation and in the context of the Receivership, Xanthoudakis and/or Smith failed to take all reasonable steps to safeguard documents of NAM and/or Olympus despite their obligation to do so as officers/directors and/or controlling minds of NAM and/or Olympus.

38. Specifically, in or about late May, 2006, more than 40 boxes of NAM and/or Olympus documents were moved to a location in the United States not connected with any of the corporate offices involved in the Norshield Investment Structure.

39. Upon their removal and relocation, attempts were made to destroy all such documents. However, the Receiver, through proceedings brought in the United States, was able to seize and recover a number of the documents. The documents seized and recovered by the Receiver include documents relevant to the flow of Retail Investors' funds through the Norshield Investment Structure, including the purported assignment of the RBC Option to MS-II.

40. The contents of the destroyed documents cannot be determined by Staff. As such, their destruction may have irreparably harmed Staff's investigation and may have impeded the Receiver's ability to identify assets and trace the flow of funds within the Norshield Investment Structure.

VII. BREACHES OF ONTARIO SECURITIES LAW AND CONDUCT CONTRARY TO THE PUBLIC INTEREST

41. Staff allege that the foregoing conduct engaged in by the respondents constituted breaches of Ontario securities law and/or was contrary to the public interest:

- (a) by engaging in the conduct described herein, NAM, Olympus and each of Xanthoudakis, Smith and Kefalas failed to deal fairly, honestly and in good faith with clients, contrary to sections 2.1(1) and 2.1(2) of OSC Rule 31-505;
- (b) NAM and Olympus failed to keep and/or maintain proper books and records in relation to the Norshield Investment Structure in contravention of section 19 of the Securities Act (the "Act") and section 113 of Ontario Regulation 1015 of the Act;

(c) as a consequence of their positions of seniority and responsibility and in their positions as officers and directors of NAM and/or Olympus, Xanthoudakis, Smith and Kefalas authorized, permitted or acquiesced in the violations of the requirements of Ontario securities laws and breaches of duty described in subparagraphs (a) – (b) above;

(d) the Offering Memorandum filed and distributed by Olympus contained misleading or untrue information and/or failed to state facts which were required to be stated (as particularized above), in contravention of clause (b) of subsection 122(1) of the Act;

(e) as a consequence of their positions of seniority and responsibility and in their positions as officers and directors of Olympus, Xanthoudakis and Smith authorized, permitted or acquiesced in the breach of Ontario securities law described in subparagraph (d) above;

(f) Xanthoudakis and Smith knowingly made statements and provided evidence and information to Staff that was materially misleading or untrue and/or failed to state facts which were required to be stated in an effort to hide the violations of Ontario securities laws and breaches of duty described in subparagraphs (a) - (e) above, in contravention of clause (a) of subsection 122(1) of the Act; and

(g) the course of conduct engaged in by Xanthoudakis, Smith and Kefalas as described herein compromised the integrity of Ontario's capital markets, was abusive to Ontario's capital markets and was contrary to the public interest.

42. Staff reserve the right to make such other allegations as Staff may advise and the Commission may permit.

DATED AT TORONTO this 11th day of October, 2006

1.4 Notices from the Office of the Secretary

1.4.1 Atlas Cold Storage Income Trust

**FOR IMMEDIATE RELEASE
October 5, 2006**

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

AND

**IN THE MATTER OF
ATLAS COLD STORAGE INCOME TRUST**

TORONTO – On October 5, 2006, the Commission issued a Notice of Hearing pursuant to section 127 of the *Securities Act* to consider the Application of Eimskip Atlas Canada Inc., KingStreet Real Estate Growth LP No.2 and Avion Group HF (the “Applicants”).

A copy of the Notice of Hearing and Response Letter dated October 5, 2006 in addition to the Application filed by the Applicants on September 28, 2006 are available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

For media inquiries: Wendy Dey
Director, Communications
and Public Affairs
416-593-8120

Laurie Gillett
Manager, Public Affairs
416-595-8913

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

1.4.2 Atlas Cold Storage Income Trust

**FOR IMMEDIATE RELEASE
October 6, 2006**

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

AND

**IN THE MATTER OF
ATLAS COLD STORAGE INCOME TRUST**

TORONTO – On October 6, 2006, the Commission issued an Amended Notice of Hearing pursuant to subsection 104(2) and section 127 of the Securities Act to consider the Applications of Eimskip Atlas Canada Inc., KingStreet Real Estate Growth LP No.2 and Avion Group HF (the “Applicants”) dated September 28, 2006 and October 5, 2006.

A copy of the Amended Notice of Hearing, the Applications dated September 28, 2006 and October 5, 2006 and the Response Letter dated October 5, 2006 are available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

For media inquiries: Wendy Dey
Director, Communications
and Public Affairs
416-593-8120

Laurie Gillett
Manager, Public Affairs
416-595-8913

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

1.4.3 Norshield Asset Management (Canada) Ltd. et al.

**FOR IMMEDIATE RELEASE
October 11, 2006**

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

AND

**IN THE MATTER OF
NORSHIELD ASSET MANAGEMENT (CANADA) LTD.,
OLYMPUS UNITED GROUP INC.,
JOHN XANTHOUDAKIS, DALE SMITH
AND PETER KEFALAS**

TORONTO – The Office of the Secretary issued a Notice of Hearing scheduling a hearing on October 20, 2006 at 10:00 a.m. in the above noted matter.

A copy of the Notice of Hearing and the Statement of Allegations are available at www.osc.gov.on.ca.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

For media inquiries: Wendy Dey
Director, Communications
and Public Affairs
416-593-8120

Laurie Gillett
Manager, Public Affairs
416-595-8913

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

Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Superior Plus 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.

September 27, 2006

Macleod Dixon LLP
3700 Canterra Tower
400 - 3 Avenue SW
Calgary, AB T2P 4H2

Attention: Karen Uehara

Dear Madam:

**Re: Superior Plus Inc. (the “Applicant”) -
Application to Cease to be a Reporting Issuer
under the securities legislation of Alberta,
Saskatchewan, Manitoba, Ontario, Québec,
Nova Scotia, New Brunswick and
Newfoundland and Labrador (the
“Jurisdictions”)**

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

As the Applicant has represented to the Decision Makers that:

1. the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by less than 15 security holders in each of the jurisdictions in Canada and less than 51 security holders in total in Canada;
2. no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 *Marketplace Operation*;
3. the Applicant is applying for relief to cease to be a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and

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

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

Relief requested granted on the 27th day of September, 2006.

“Blaine Young”
Associate Director, Corporate Finance
Alberta Securities Commission

2.1.2 724 Solutions Inc. - MRRS Decision

Headnote

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

Ontario Statutes

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

October 4, 2006

**IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA, SASKATCHEWAN, MANITOBA,
ONTARIO, QUEBEC, NEW BRUNSWICK,
NOVA SCOTIA,
NEWFOUNDLAND AND LABRADOR**

AND

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

AND

**IN THE MATTER OF
724 SOLUTIONS INC.
(the “Applicant”)**

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (Decision Maker) in each of Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia, and Newfoundland and Labrador (the Jurisdictions) has received an application from 724 Solutions Inc. (the Applicant) for a decision under the securities legislation of the Jurisdictions (the Legislation) that the Applicant be deemed to have ceased to be a reporting issuer under the Legislation (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) the 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 Applicant:

1. The Applicant is a corporation amalgamated under the Canada Business Corporations Act on July 7, 1999 and continued under Business Corporations Act (Ontario) (the OBCA) on August 8, 2006 with its head office and its principal place of business in the Province of Ontario. Ontario was selected as the principal regulator for the initial public offering based on the Applicant's principal place of business.
2. The Applicant's authorized capital stock consists of: (i) an unlimited number of common shares and (ii) an unlimited number of preferred shares, none of which are issued and outstanding.
3. Pursuant to a plan of arrangement 724 Holdings, Inc. acquired all of the issued and outstanding common shares of the Applicant as of August 15, 2006.
4. The Applicant's common shares were delisted from the Toronto Stock Exchange on August 18, 2006 and the Applicant does not have any shares listed on any stock exchange.
5. The Applicant is not in default of any of its obligations as a reporting issuer under the securities legislation of the Jurisdictions, other than its obligation to file its second quarter interim financial statements, interim management discussion and analysis and interim CEO and CFO certificates (the “Filings”), which were due on August 14, 2006. As the plan of arrangement resulted in 724 Holdings, Inc. becoming sole beneficial holder of all of the Applicant's common shares one day after the Filings were due, the Filings were not prepared or filed as required.
6. 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 securityholders in total in Canada.
7. No securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 Marketplace Operation.
8. Upon the granting of the requested relief herein, the Applicant will not be a reporting issuer or its equivalent in any of the Jurisdictions.
9. The Applicant has no intention to seek public financing by way of an offering of its securities.

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.

“Robert L. Shirriff”
Commissioner
Ontario Securities Commission

“Susan Wolburgh-Jenah”
Vice-Chair
Ontario Securities Commission

2.1.3 Barrick Gold Corporation - s. 100(6) of the SA

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – approval of alternative delivery of takeover bid materials under section 100(6) of the Securities Act – offeror to deliver takeover bid materials to the intended recipients in a manner other than by prepaid first class mail or personal delivery – offeror does not have the addresses of the intended recipients and is not able to compel the issuer whose securities are the subject of the offer to produce a list – offeror will provide the materials to the issuer whose securities are the subject of the offer or to that issuer’s legal counsel – the issuer and its legal counsel have indicated that they will forward the materials to the intended recipients.

Applicable Ontario Statutory Provisions

Securities Act, .S.O. 1990, c. .5, as am., s.100(6).

September 13, 2006

Lori Sullivan
Davies Ward Phillips & Vineberg LLP
44th Floor, 1 First Canadian Place
Toronto, Ontario
M5X 1B1

Dear Ms. Sullivan

Re: Barrick Gold Corporation (Barrick) - Application dated August 2, 2006 for approval of alternative delivery of a take over bid circular to holders of options to purchase common shares of NovaGold Resources Inc. (NovaGold) in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Newfoundland and Labrador, and Nova Scotia (the Jurisdictions)

Barrick has applied to the local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions for approval under the securities legislation (the Legislation) of the Jurisdictions of alternative delivery of a take over bid circular.

Barrick has represented to the Decision Makers that:

1. Barrick was incorporated in Ontario and is a reporting issuer (or equivalent) in all provinces of Canada and is not in default of any of its obligations under the Legislation;
2. NovaGold was incorporated under the *Companies Act* (Nova Scotia) (the NSCA) and is a reporting issuer (or equivalent) in all provinces of Canada;
3. on July 24, 2006, Barrick announced by press release its intention to make an offer to acquire (the Offer) all of the outstanding common shares of NovaGold (Common Shares), including

- Common Shares that may become issued and outstanding before the expiry of the Offer upon the conversion, exchange or exercise of options, warrants or other securities of NovaGold that are convertible into or exchangeable or exercisable for Common Shares;
4. on August 1, 2006, Barrick sent a letter to NovaGold requesting, under section 43(2) of the NSCA, that NovaGold provide Barrick a copy of the register of members of NovaGold and a list of its holders of convertible securities;
 5. Barrick commenced the Offer on August 4, 2006 (the Commencement Date) by publishing an advertisement containing a brief summary of the Offer (the Offer Advertisement) in The Globe and Mail, the Wall Street Journal (national edition) and La Presse;
 6. from and after the Commencement Date, Barrick has had available for mailing to holders of Common Shares and holders of options, warrants and all other securities of NovaGold that, before the expiry of the Offer, are convertible into or exchangeable or exercisable for Common Shares, a copy of the Offer and the accompanying take-over bid circular, letter of transmittal, notice of guaranteed delivery and all other documents relating to the Offer, including any notice of variation or notice of change, if any (collectively, the Offer Documents);
 7. Barrick received from NovaGold a list of registered shareholders of NovaGold on August 10, 2006 and a list of registered warrant holders of NovaGold on August 11, 2006;
 8. on August 14, 2006, Barrick mailed the Offer Documents to the shareholders and warrant holders on the lists;
 9. as of November 30, 2005 (the most recent fiscal year end of NovaGold), NovaGold had outstanding approximately 6,560,000 options (the Options) to acquire an aggregate of approximately 6,560,000 Common Shares; the Options were issued under NovaGold's stock option plan (the Stock Option Plan), which was established to grant incentive stock options to the officers, directors and employees of NovaGold;
 10. Barrick has not received a list of the holders of Options (Optionholders) from NovaGold;
 11. securities legislation in each of the Jurisdictions requires that a bid be delivered to all holders of securities of the class that is subject to the bid and to all holders of securities that, before the expiry of the bid, are convertible into securities of that class (the Delivery Requirement); in order to comply with this requirement, Barrick would have to deliver the Offer Documents to all Optionholders
- as well as to holders of warrants or Common Shares;
12. the NSCA does not contain any provisions by which a bidder may require a company governed by the NSCA to provide a list setting out the name and address of any known holder of an option or right to acquire shares of the company; as a result, Barrick is unable, under the NSCA, to require NovaGold to provide a list of its Optionholders so that Barrick can satisfy the Delivery Requirement;
 13. concurrently with the mailing of the Offer Documents to the Shareholders, Barrick delivered 50 copies of the Offer Documents to the principal office of NovaGold so that copies of the Offer Documents could be provided by NovaGold to the directors, officers and employees of NovaGold who are participants under the Stock Option Plan and who are, therefore, Optionholders;
 14. by letter dated August 17, 2006 from Borden Ladner Gervais LLP (BLG), legal counsel to the special committee of the board of directors of NovaGold, received by Barrick on August 18, 2006, NovaGold acknowledged receipt of the 50 copies of the Offer Documents delivered by Barrick and requested that a further 26 copies of the Offer Documents be delivered to BLG for delivery to additional Optionholders by NovaGold;
 15. Barrick delivered 30 additional copies of the Offer Documents to BLG on August 21, 2006;
 16. Barrick will deliver 80 copies of any future Offer Documents to be mailed to Optionholders in connection with the Offer (such as any notice of variation or notice of change) to the principal office of NovaGold so that NovaGold can provide copies of those Offer Documents to Optionholders; and
 17. in its August 17 letter, BLG stated that:
 - a. NovaGold had informed BLG that NovaGold will deliver the Offer Documents received to optionholders for whom NovaGold has current mailing addresses; and
 - b. to its knowledge, other than the warrants for which Barrick has already been provided with information, NovaGold has no other securities convertible to common shares of NovaGold.
- 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 approves the delivery of the Offer Documents by Barrick to the Optionholders as described in representations 13 to 16 as a manner of satisfying the Delivery Requirement.

Martin Eady, CA

Director, Corporate Finance

2.2 Orders

2.2.1 Deer Ridge Village Limited Partnership and Everest Canadian Properties Company - s. 144

Headnote

Partial revocation of a cease trade order to allow offeror to take-up and pay for securities tendered under a take-over bid.

Statutes Cited

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

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

AND

**IN THE MATTER OF
DEER RIDGE VILLAGE LIMITED PARTNERSHIP
AND EVEREST CANADIAN PROPERTIES COMPANY
("EVEREST" OR THE "Applicant")**

**ORDER
(Section 144)**

WHEREAS the securities of Deer Ridge Village Limited Partnership ("**Deer Ridge LP**") are subject to a cease trade order made by the Manager, Market Operations dated June 5, 1998 pursuant to subsection 127(8) of the Act, which order was made in connection with a temporary cease trade order made by the Manager, Market Operations dated May 25, 1998 pursuant to subsections 127(1) and 127(5) of the Act (collectively, the "**Cease Trade Order**") directing that trading in the securities of Deer Ridge LP cease unless revoked by a further order of revocation;

AND WHEREAS on August 18, 2006, the Applicant made an offer to purchase, pursuant to the rules for take-over bids applicable to such offer, on and subject to the terms and conditions of the offer and circular, all of the outstanding securities of Deer Ridge LP (the "**Offer**").

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

AND WHEREAS the Applicant has represented to the Commission that:

1. Deer Ridge LP is a limited partnership registered under the Partnership Act (Alberta) on September 22, 1980, and has been a reporting issuer under the Act since 1981. Deer Ridge LP's general partner, Deer Ridge Village Ltd. has its head office in Winnipeg, Manitoba (the "**General Partner**").

2. Deer Ridge LP's authorized capital consists of 4,665,132 units (the "**Units**"), which are presently held by 151 holders of the Units (the "**Unitholders**"), including the Applicant. Other than the Units, Deer Ridge LP has no securities, including debt securities, outstanding.
3. Deer Ridge LP is a reporting issuer under the securities legislation of the provinces of Ontario, Manitoba, British Columbia and Alberta. Deer Ridge LP is not a reporting issuer in any other jurisdiction in Canada.
4. The Units are not listed or quoted on any exchange or market in Canada or elsewhere. In addition to the Cease Trade Order under the Act, the securities of Deer Ridge LP are also subject to cease trade orders in Manitoba, British Columbia and Alberta, as described below.
5. The Cease Trade Order and the similar orders in Manitoba (September 26, 2006), British Columbia (May 21, 1998) and Alberta (November 22, 2002) were issued due to the failure by Deer Ridge LP to file with each of the respective commissions interim financial statements and audited annual financial statements for various reporting years (the "**Financial Statements**") as required by applicable securities legislation.
6. The Applicant is a Nova Scotia Company that has carried on business in Canada since 2001.
7. The Applicant is not a reporting issuer or the equivalent in any jurisdiction in Canada and its securities are not listed or posted for trading on any stock exchange.
8. On August 18, 2006, the Applicant made the Offer at a price of \$1.15 in cash per Unit. On September 12, 2006, the General Partner sent to Unitholders a directors' circular in connection with the Offer.
9. The terms of the Cease Trade Order prohibit the Applicant from taking-up any Units tendered pursuant to the terms of the Offer.
10. The Offer expires at 5:00 pm (Toronto time) on October 3, 2006. As of October 2, 2006, 4 Unitholders have tendered Units to the Offer, two of whom are resident in Ontario.
11. The Applicant has concurrently applied for a partial revocation of the cease trade orders in all applicable jurisdictions.

AND WHEREAS considering the Application and the recommendation of staff to the Director;

AND WHEREAS the Director is satisfied that to do so would not be prejudicial to the public interest;

IT IS ORDERED, pursuant to section 144 of the Act, that the Cease Trade Order is hereby partially revoked solely to permit the Applicant to take up and pay for Units that are tendered to the Offer.

DATED October 3rd, 2006.

"Iva Vranic"
Manager, Corporate Finance

2.2.2 724 Solutions Inc. - s. 1(6) of the OBCA

Headnote

Issuer deemed to have ceased to be offering its securities to the public under the OBCA.

Statute Cited

Business Corporations Act, R.S.O. 1990, c. B.16, as am., s. 1(6).

September 26, 2006

**IN THE MATTER OF
THE BUSINESS CORPORATIONS ACT
R.S.O. 1990, c. B.16, AS AMENDED
(the "OBCA")**

AND

**IN THE MATTER OF
724 SOLUTIONS INC.**

**ORDER
(Subsection 1(6) of the OBCA)**

UPON the application of 724 Solutions Inc. (the "Applicant") for an order pursuant to section 1(6) of the OBCA that the Applicant be deemed to have ceased to be offering securities to the public;

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 its head office in Toronto, Ontario
2. the authorized capital of the Applicant consists of an unlimited number of common shares, and of an unlimited number of preferred shares;
3. all of the issued and outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, 724 Holdings, Inc.;
4. the Applicant is an "offering corporation" as defined in the OBCA;
5. no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 - Marketplace Operation;
6. the Applicant is not in default of any of its obligations as a reporting issuer under the Securities Act (Ontario), other than its obligation to file its second quarter interim financial statements, interim management discussion and analysis and interim CEO and CFO certificates (the "Filings"), which were due on August 14, 2006. As the plan

of arrangement resulted in 724 Holdings, Inc. becoming sole beneficial holder of all of the Applicant's common share one day after the Filings were due, the Filings were not prepared or filed as required;

7. the Applicant has applied 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
8. the Applicant does not intend to seek public financing by way of an offering of its securities;

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

IT IS ORDERED, pursuant to subsection 1(6) of the OBCA, that the Applicant is deemed to have ceased to be offering its securities to the public for the purposes of the OBCA.

"Robert L. Shirriff"
Commissioner

"Susan Wolburgh-Jenah"
Vice-Chair

2.2.3 Nickel Asia Corp.

Headnote

Issuer granted relief from the requirement to comply with Part 3 of 56-501 in connection with the distribution of Class A Non-Voting Shares pursuant to a long form prospectus and future distributions of Class A Non-Voting Shares and securities directly or indirectly convertible into or exercisable or exchangeable for Class A Non-Voting Shares -- Relief subject to conditions.

Statutes Cited

Ontario Securities Commission Rule 56-501 - Restricted Shares, Part 3 and s. 4.2.

**IN THE MATTER OF
THE SECURITIES ACT, R.S.O. 1990,
CHAPTER S.5, AS AMENDED (THE "ACT") AND
ONTARIO SECURITIES COMMISSION RULE 56-501**

AND

**IN THE MATTER OF
NICKEL ASIA CORP. ("NAC")**

ORDER

UPON the application (the "Application") of NAC to the Ontario Securities Commission (the "Commission") for an order pursuant to Section 4.2 of Ontario Securities Commission Rule 56-501 – Restricted Shares (the "Rule") exempting (i) the distribution of Class A Non-Voting Shares of NAC (the "Class A Non-Voting Shares") in connection with NAC's initial public offering (the "Offering") and (ii) provided certain conditions are met, any future distributions of Class A Non-Voting Shares or of any other securities directly or indirectly convertible into or exercisable or exchangeable for Class A Non-Voting Shares from the application of Part 3 of the Rule;

AND UPON NAC having represented to the Commission that:

1. NAC was incorporated by memorandum and articles of association under the Business Companies Act, 2004 (British Virgin Islands) on February 15, 2006 to acquire and hold the nickel mining and processing assets of NAC's founders in contemplation of the Offering. The memorandum and articles of association of NAC were most recently amended and restated on August 2, 2006, among other things, to create the Class A Non-Voting Shares.
2. The registered office of NAC is located at the office of its registered agent, AMS Trustees Limited, at Sea Meadow House, Blackburne Highway, P.O. Box 116, Road Town, Tortola, British Virgin Islands. The principal office of NAC is located at the NAC Building, 143 Dela Rosa Street, Legaspi Village, Makati City, Philippines.

3. Through its wholly and partly-owned Philippine subsidiaries, NAC holds equity and operating interests in six nickel laterite mines and an equity interest in a high-pressure acid leach nickel processing facility, all of which are located in the Philippines.
4. NAC's authorized share capital consists of an unlimited number of Class A Non-Voting Shares, a maximum of 14,902,209 Class B Voting Shares, Series 1 and a maximum of 14,902,210 Class B Voting Shares, Series 2.
5. The Class A Non-Voting Shares are fully participating in the earnings of NAC and upon a liquidation or winding-up of NAC, are voting only in certain limited circumstances enumerated in NAC's memorandum of association, and may be owned by anyone.
6. NAC's Class B Voting Shares, Series 1 and Series 2 (collectively, the "Class B Voting Shares") are fully participating in the earnings of NAC and upon a liquidation or winding-up of NAC, are fully voting in all circumstances, and may only be owned by individuals who are Philippine citizens. The sole difference between the Class B Voting Shares, Series 1 and Series 2 is that the Series 1 shares are convertible into Class A Non-Voting Shares on a one-for-one basis at any time at the option of the holder. The Series 2 shares are not convertible.
7. Since NAC is a BVI company, other than a prohibition on transferring Class B Voting Shares to any person other than an individual who is a citizen of the Philippines, its memorandum and articles of association do not contain any of the "private company" restrictions contemplated by Section 1(1) of the Securities Act (Ontario) (the "Act").
8. Since its incorporation, NAC has behaved in all respects like a private company as defined under the Act, in that (i) transfers of its shares have been limited to a small group of founders and their related entities and business associates, (ii) at no time since its incorporation has its number of shareholders exceeded ten, and (iii) other than in connection with the Offering, NAC has not made any invitation to the public to subscribe for its securities.
9. NAC proposes to complete the Offering of Class A Non-Voting Shares by way of a treasury offering and a concurrent secondary offering by two existing shareholders. In this regard, NAC has filed a preliminary prospectus dated August 15, 2006 and an amended and restated preliminary prospectus dated September 7, 2006 and proposes to file a final prospectus.
10. All of the outstanding Class B Voting Shares are, and will upon completion of the Offering be,

beneficially owned by four individuals, each of whom is a citizen of the Philippines (the "Principal Shareholders"). The Principal Shareholders and their percentage holdings of Class B Voting Shares are as follows: Manuel B. Zamora, Jr. - 39.1%, Salvador B. Zamora II - 20.0%, Luis J.L. Virata - 22.2%, and Philip T. Ang - 18.7%.

11. Prior to the Offering, all of the issued and outstanding Class A Non-Voting Shares are owned by Asia Nickel Holdings Corporation, a company owned by the Principal Shareholders, and Nonillon Holding Corp., a company controlled by Luis J.L. Virata, one of the Principal Shareholders.
12. NAC and Nonillon Holding Corp. will grant the underwriters of the Offering an over-allotment option to purchase additional Class A Non-Voting Shares on the same terms as under the Offering.
13. NAC is not currently a reporting issuer or equivalent under the securities laws of any jurisdiction in Canada or elsewhere.
14. NAC has applied to list the Class A Non-Voting Shares on the Toronto Stock Exchange.

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

IT IS ORDERED, pursuant to Section 4.2 of the Rule, that:

- (a) the distribution of Class A Non-Voting Shares in connection with the Offering (including pursuant to any exercise of the underwriters' over-allotment option to be issued in connection therewith); and
- (b) any future distributions of (i) Class A Non-Voting Shares or (ii) any other securities directly or indirectly convertible into or exercisable or exchangeable for Class A Non-Voting Shares, provided that such other securities are not "restricted shares" or "subject securities", in each case within the meaning of the Rule;

are exempt from the application of Part 3 of the Rule.

DATED this 25th day of September, 2006

"Iva Vranic"

This page intentionally left blank

Chapter 4

Cease Trading Orders

4.1.1 Temporary, Permanent & Rescinding Issuer Cease Trading Orders

| Company Name | Date of Temporary Order | Date of Hearing | Date of Permanent Order | Date of Lapse/Revoke |
|-------------------------------------|-------------------------|-----------------|-------------------------|----------------------|
| BioEnvelop Technologies Corporation | 06 Oct 06 | 18 Oct 06 | | |

4.2.1 Temporary, Permanent & Rescinding Management 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 |
|--------------|----------------------------------|-----------------|-------------------------|----------------------|--------------------------------|
| | | | | | |

No updates for the week ending October 11, 2006.

4.2.2 Outstanding 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 | | |
| Diamond Fields International Ltd. | 03 Oct 06 | 16 Oct 06 | | | |
| Fareport Capital Inc. | 13 Sep 05 | 26 Sep 05 | 26 Sep 05 | | |
| Hip Interactive Corp. | 04 Jul 05 | 15 Jul 05 | 15 Jul 05 | | |
| HMZ Metals Inc. | 03 Apr 06 | 14 Apr 06 | 17 Apr 06 | | |
| Hollinger Inc. | 18 May 04 | 01 Jun 04 | 01 Jun 04 | | |
| Neotel International Inc. | 02 Jun 06 | 15 Jun 06 | 15 Jun 06 | | |
| Novelis Inc. | 18 Nov 05 | 01 Dec 05 | 01 Dec 05 | | |
| Pacrim International Capital Inc. | 29 Sept 06 | 12 Oct 06 | | | |

This page intentionally left blank

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 SecuritiesSource (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 FORMS 45-106F1 AND FORM 45-501F1

| Transaction Date | No of Purchasers | Issuer/Security | Total Purchase Price (\$) | No of Securities Distributed |
|--------------------------|------------------|---|---------------------------|------------------------------|
| 10/03/2006 | 12 | Airline Intelligence Systems Inc. - Common Shares | 547,200.00 | 514,200.00 |
| 09/07/2006 to 09/18/2006 | 8 | AMADOR GOLD CORP. - Common Shares | 87,750.00 | 450,000.00 |
| 08/30/2006 to 09/01/2006 | 119 | Athabasca Oil Sands Corp. - Units | 101,148,775.40 | 99,967,500.00 |
| 10/02/2006 | 1 | Black Bore Resources Ltd. - Common Shares | 50,001.00 | 33,334.00 |
| 10/02/2006 | 1 | Black Bore Resources Ltd. - Flow-Through Shares | 740,000.00 | 400,000.00 |
| 09/29/2006 | 11 | Card One Plus Ltd. - Units | 1,165,443.00 | 4,661,772.00 |
| 09/20/2006 to 09/22/2006 | 24 | Cygnal Technologies Corporation - Common Shares | 2,519,240.00 | 3,936,313.00 |
| 09/21/2006 to 09/27/2006 | 5 | DivX, Inc. - Common Shares | 3,122,280.00 | 175,000.00 |
| 09/28/2006 | 5 | Dorian Energy Inc. - Common Shares | 5,586,010.00 | 974,980.00 |
| 09/27/2006 | 8 | Emergency Response Management Corporation - Common Shares | 750,000.00 | 212,355.00 |
| 09/20/2006 | 3 | Endurance Gold Corporation - Common Shares | 5,000.00 | 20,000.00 |
| 09/28/2006 | 1 | Epocal Inc. - Preferred Shares | NA | NA |
| 09/28/2006 | 12 | Equigenesis 2006 Preferred Investment LP - Limited Partnership Interest | 6,822,000.00 | 189.50 |
| 09/29/2006 | 16 | Fiber Optic Systems Technology, Inc. - Common Shares | 5,885,000.00 | 2,942,500.00 |
| 09/19/2006 | 46 | First West Petroleum Inc. - Flow-Through Shares | 3,884,000.00 | 3,884,000.00 |
| 09/19/2006 | 23 | First West Petroleum Inc. - Units | 899,470.00 | 1,058,200.00 |
| 09/27/2006 | 2 | GCO Education Loan Funding Master Trust-II - Note | 280,000.00 | 1.00 |
| 09/29/2006 | 18 | General Motors Acceptance Corporation of Canada, Limited - Note | 7,554,385.22 | NA |

Notice of Exempt Financings

| Transaction Date | No of Purchasers | Issuer/Security | Total Purchase Price (\$) | No of Securities Distributed |
|--------------------------|-------------------------|---|----------------------------------|-------------------------------------|
| 09/19/2006 to 09/25/2006 | 8 | Global Trader Europe Limited - Contracts for Differences | 2,053.80 | 10,132.00 |
| 09/27/2006 | 18 | Goldbelt Resources Ltd. - Common Shares | 7,980,000.00 | 7,600,000.00 |
| 09/22/2006 | 2 | Green Breeze Energy Systems Inc. - Common Shares | 20,000.00 | 10,000.00 |
| 09/20/2006 | 13 | GWR Resources Inc. - Common Shares | 3,119,999.00 | 2,836,359.00 |
| 09/29/2006 | 3 | HBOS plc/HBOS Treasury Services plc - N/A | 1,000,000,000.00 | NA |
| 09/01/2006 to 09/06/2006 | 8 | Instorage Limited Partnership - Units | 9,400,000.00 | 9,400,000.00 |
| 09/25/2006 | 1 | KBSH Private - Canadian Equity Value Fund - Units | 563,400.00 | 12,962.59 |
| 09/20/2006 | 1 | KBSH Private - Canadian Equity Value Fund - Units | 140,838.53 | 49,158.01 |
| 09/21/2006 | 1 | Mitel Networks Corporation - Warrants | 15,000,000.00 | 15,000.00 |
| 09/21/2006 | 18 | National Australia Bank Limited - Notes | 254,000,000.00 | NA |
| 09/21/2006 | 12 | Newport diversified Hedge Fund - Units | 687,546.56 | 5,265.05 |
| 09/29/2006 | 14 | Pembina Pipeline Corporation - Notes | 200,000,000.00 | NA |
| 09/27/2006 | 30 | Qualia Real Estate Investment Fund VIII Limited Partnership - Units | 1,900,000.00 | 38.00 |
| 09/28/2006 | 14 | Renegade Oil & Gas Ltd. - Flow-Through Shares | 2,054,775.00 | 1,174,157.00 |
| 09/29/2006 | 2 | Scisense Limited Partnership - Limited Partnership Units | 50,010.00 | 10.00 |
| 09/20/2006 | 3 | Starfire Minerals Inc. - Common Shares | 52,000.00 | 200,000.00 |
| 09/30/2006 | 1 | TD Harbour Capital Commodity Fund - Units | 140,000.00 | 1,357.38 |
| 08/30/2006 | 1 | Trez Capital Corporation - Mortgage | 165,375.00 | 1.00 |
| 07/01/2006 | 1 | Trez Capital Corporation - Mortgage | 100,000.00 | 1.00 |
| 08/31/2006 | 21 | Uniterre Resources Inc. - Debentures | 1,655,000.00 | 1,655.00 |
| 09/25/2006 | 59 | Walton Alliston Investment Corporation - Common Shares | 983,830.00 | 124,793.00 |
| 09/25/2006 | 4 | Walton Alliston Ontario Limited Partnership 2 - Limited Partnership Units | 2,342,930.00 | 243,293.00 |

Notice of Exempt Financings

| Transaction Date | No of Purchasers | Issuer/Security | Total Purchase Price (\$) | No of Securities Distributed |
|--------------------------|-------------------------|---|----------------------------------|-------------------------------------|
| 09/28/2006 | 7 | WBIC Canada Ltd. - Common Shares | 137,386.55 | 74,263.00 |
| 09/21/2006 to 09/28/2006 | 47 | West Hawk Development Corp. - Special Warrants | 7,162,299.75 | 9,549,733.00 |
| 10/20/2006 | 1 | Western Warrior Resources Inc. - Common Shares | 300,000.00 | 1,000,000.00 |
| 09/05/2006 | 1 | Whiterock Real Estate Investment Trust - Warrants | 0.00 | 362,000.00 |
| 09/29/2006 | 3 | Wolfden Resources Inc. - Flow-Through Shares | 18,500,000.00 | 10,000,000.00 |
| 09/29/2006 | 2 | Wolfden Resources Inc. - Units | 6,000,000.00 | 4,000,000.00 |
| 09/25/2006 | 19 | Wyn Developments Inc. - Units | 962,000.00 | 2,748,571.00 |
| 09/27/2006 | 4 | Yankee Hat Minerals Ltd. - Units | 1,130,000.00 | 6,277,775.00 |

This page intentionally left blank

Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:

Enervest FTS Limited Partnership 2006 II
Principal Regulator - Alberta

Type and Date:

Preliminary Prospectus dated October 5, 2006
Mutual Reliance Review System Receipt dated October 5, 2006

Offering Price and Description:

MAXIMUM 400,000 LIMITED PARTNERSHIP UNITS (\$10,000,000.00); MINIMUM 200,000 LIMITED PARTNERSHIP UNITS (\$5,000,000.00) PRICE: \$25.00 PER UNIT MINIMUM SUBSCRIPTION: \$10,000.00 (400 Units)

Underwriter(s) or Distributor(s):

GMP Securities L.P.

Promoter(s):

EnerVest 2006 II General Partner Corp.
EnerVest Management Ltd.

Project #1000068

Issuer Name:

First Asset Renewable Power Flow-Through LP IV
Principal Regulator - Ontario

Type and Date:

Preliminary Prospectus dated October 5, 2006
Mutual Reliance Review System Receipt dated October 5, 2006

Offering Price and Description:

\$35,000,000.00 (Maximum Offering) 3,500,000 Limited Partnership Units PRICE PER UNIT: \$10.00
MINIMUM PURCHASE: \$5,000 (500 Units)

Underwriter(s) or Distributor(s):

CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
TD Securities Inc.
Blackmont Capital Inc.
Dundee Securities Corporation
Canaccord Capital Corporation
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Wellington West Capital Inc.
Berkshire Securities Inc.
Desjardins Securities Inc.
IPC Securities Corporation
Research Capital Corporation
Sprott Securities Inc.

Promoter(s):

First Asset Funds Inc.

Project #999869

Issuer Name:

GrowthWorks Commercialization Fund Ltd.
Principal Regulator - Ontario

Type and Date:

Preliminary Prospectus dated October 4, 2006
Mutual Reliance Review System Receipt dated October 5, 2006

Offering Price and Description:

(1) Class A Shares, 07 Series (FundSERV No. WVN 507) Maximum Offering: \$60 million
Offering Price: \$10 per share until March 1, 2007 and thereafter Net Asset Value per 07 Series Share; and (2) Class A Shares, 08 Series (FundSERV No. WVN 508) Maximum Offering: \$60 million Offering Price: \$10 per share from initial offering date (expected to be on or about September 1, 2007) until March 1, 2008 and thereafter Net Asset Value per 08 Series Share

Underwriter(s) or Distributor(s):

GrowthWorks Capital Ltd.

Promoter(s):

-

Project #999703

Issuer Name:

Ketchum Capital Corporation
Principal Regulator - Alberta

Type and Date:

Preliminary CPC Prospectus dated October 5, 2006
Mutual Reliance Review System Receipt dated October 5, 2006

Offering Price and Description:

\$800,000.00 - 4,000,000 Common Shares

Underwriter(s) or Distributor(s):

Research Capital Corporation

Promoter(s):

Allen T. Lone

Project #1000164

Issuer Name:

Lac Lemay Capital Corporation
Principal Regulator - Ontario

Type and Date:

Preliminary CPC Prospectus dated October 6, 2006
Mutual Reliance Review System Receipt dated October 10, 2006

Offering Price and Description:

MINIMUM OFFERING: \$200,000.00 or 2,000,000 Common Shares; MAXIMUM OFFERING: \$300,000.00 or 3,000,000 Common Shares PRICE: \$0.10 per Common Share

Underwriter(s) or Distributor(s):

Pacific International Securities Inc.

Promoter(s):

Daniel F. Hachey
Project #1000673

Issuer Name:

Mackenzie GPS Allocation Fund
Principal Regulator - Ontario

Type and Date:

Preliminary Simplified Prospectus dated October 4, 2006
Mutual Reliance Review System Receipt dated October 4, 2006

Offering Price and Description:

Series A Units

Underwriter(s) or Distributor(s):

-

Promoter(s):

Mackenzie Financial Corporation
Project #999618

Issuer Name:

North American Palladium Ltd.

Type and Date:

Preliminary Short Form Shelf Prospectus dated October 4, 2006
Received on October 5, 2006

Offering Price and Description:

73,052 Common Shares

Underwriter(s) or Distributor(s):

-

Promoter(s):

-

Project #999851

Issuer Name:

Western Goldfields, Inc.
Principal Regulator - Ontario

Type and Date:

Preliminary MJDS Prospectus dated October 5, 2006
Mutual Reliance Review System Receipt dated October 6, 2006

Offering Price and Description:

\$100,000,000.00 - COMMON STOCK PREFERRED STOCK DEBT SECURITIES WARRANTS UNITS

Underwriter(s) or Distributor(s):

-

Promoter(s):

-

Project #1000182

Issuer Name:

AGF Managed Futures Fund
Principal Regulator - Ontario

Type and Date:

Final Prospectus dated October 4, 2006
Mutual Reliance Review System Receipt dated October 5, 2006

Offering Price and Description:

-

Underwriter(s) or Distributor(s):

AGF Funds Inc.

Promoter(s):

-

Project #989959

Issuer Name:

BMO Global Monthly Income Fund
Principal Regulator - Ontario

Type and Date:

Amendment #1 dated October 2, 2006 to the Simplified Prospectus and Annual Information Form dated May 10, 2006
Mutual Reliance Review System Receipt dated October 6, 2006

Offering Price and Description:

-

Underwriter(s) or Distributor(s):

BMO Investments Inc.
BMO Investments Inc.

Promoter(s):

BMO Investments Inc.

Project #917382

Issuer Name:

Carrington Acquisition Corp. (formerly, Newport Acquisitions Inc.)

Principal Regulator - Ontario

Type and Date:

Final Prospectus dated October 4, 2006

Mutual Reliance Review System Receipt dated October 10, 2006

Offering Price and Description:

\$300,000.00 - 3,000,000 COMMON SHARES (\$0.10 per Common Share)

Underwriter(s) or Distributor(s):

Haywood Securities Inc.

Promoter(s):

George Luinck

Don Coons

Doug Campbell

Project #973687

Issuer Name:

E-L Financial Corporation Limited

Principal Regulator - Ontario

Type and Date:

Final Short Form Prospectus dated October 10, 2006

Mutual Reliance Review System Receipt dated October 10, 2006

Offering Price and Description:

\$100,000,000.00 - (4,000,000 shares) - 4.75% Non-Cumulative Redeemable First Preference Shares, Series 2
Price: \$25.00 per share to yield 4.75%

Underwriter(s) or Distributor(s):

RBC Dominion Securities Inc.

Scotia Capital Inc.

BMO Nesbitt Burns Inc.

CIBC World Markets Inc.

National Bank Financial Inc.

TD Securities Inc.

Promoter(s):

-

Project #997945

Issuer Name:

frontierAlt Energy 2006-II Flow-Through Limited Partnership

Principal Regulator - Ontario

Type and Date:

Final Prospectus dated October 4, 2006

Mutual Reliance Review System Receipt dated October 5, 2006

Offering Price and Description:

Maximum Offering: \$40,000,000.00 (1,600,000 Units);

Minimum Offering: \$5,000,000.00 (200,000 Units)

Minimum Subscription: 100 Units Subscription Price: \$25.00 per Unit

Underwriter(s) or Distributor(s):

CIBC World Markets Inc.

TD Securities Inc.

Blackmont Capital Inc.

Dundee Securities Corporation

HSBC Securities (Canada) Inc.

Canaccord Capital Corporation

Raymond James Ltd.

Wellington West Capital Inc.

Promoter(s):

frontierAlt Energy 2006-II Inc.

frontierAlt Investment Management Corporation

Brickburn Asset Management Inc.

Project #990091

Issuer Name:

Mackenzie Sentinel Diversified Income Fund

Principal Regulator - Ontario

Type and Date:

Final Simplified Prospectus dated September 29, 2006

Mutual Reliance Review System Receipt dated October 4, 2006

Offering Price and Description:

Series A, F, G, I and O Units @ Net Asset Value

Underwriter(s) or Distributor(s):

-

Promoter(s):

Mackenzie Financial Corporation

Project #989927

Issuer Name:

New Millennium Capital Corp.
Principal Regulator - Alberta

Type and Date:

Final Short Form Prospectus dated October 3, 2006
Mutual Reliance Review System Receipt dated October 4, 2006

Offering Price and Description:

\$11,100,500.00 - 10,800,000 Common Shares and 5,400,000 Warrants issuable on exercise or deemed exercise of 10,800,000 Unit Special Warrants; and 3,530,000 Flow-Through Shares issuable on exercise or deemed exercise of 3,530,000 Flow-Through Special Warrants

Underwriter(s) or Distributor(s):

Raymond James Ltd.
Research Capital Corporation

Promoter(s):

Robert A. Martin
Dean Journeaux

Project #993042

Issuer Name:

Real Estate Asset Liquidity Trust
Principal Regulator - Ontario

Type and Date:

Final Short Form Prospectus dated October 2, 2006
Mutual Reliance Review System Receipt dated October 4, 2006

Offering Price and Description:

\$391,935,000.00 (Approximate) - Real Estate Asset Liquidity Trus (Issuer) Commercial Mortgage Pass-Through Certificates, Series 2006-2

Underwriter(s) or Distributor(s):

RBC Dominion Securities Inc.

Promoter(s):

Royal Bank of Canada

Project #994530

Issuer Name:

Sherwood Copper Corporation
Principal Regulator - British Columbia

Type and Date:

Final Short Form Prospectus dated October 4, 2006
Mutual Reliance Review System Receipt dated October 5, 2006

Offering Price and Description:

Cdn\$15,015,000.00 - 4,620,000 Common Shares Upon the Exercise of Previously Issued Special Warrants

Underwriter(s) or Distributor(s):

Dundee Securities Corporation
Sprott Securities Inc.
Blackmont Capital Inc.
Canaccord Capital Corporation
WestWind Partners Inc.

Promoter(s):

-

Project #993181

Issuer Name:

Investor Series, e-Series, Institutional Series, O-Series, Premium Series

and H-Series units (as indicated) of:

TD Canadian T-Bill Fund
(Investor Series units)
TD Canadian Money Market Fund
(Investor Series and Institutional Series units)
TD Premium Money Market Fund
(Investor Series units)
TD U.S. Money Market Fund
(Investor Series, Institutional Series and Premium Series units)
TD Short Term Bond Fund
(Investor Series, Institutional Series and O -Series units)
TD Mortgage Fund
(Investor Series and Institutional Series units)
TD Canadian Bond Fund
(Investor Series, Institutional Series and O -Series units)
TD Real Return Bond Fund
(Investor Series, Institutional Series and O -Series units)
TD Global RSP Bond Fund
(Investor Series and Institutional Series units)
TD High Yield Income Fund
(Investor Series and Institutional Series units)
TD Monthly Income Fund
(Investor Series, O-Series and H-Series units)
TD Balanced Fund
(Investor Series units)
TD Balanced Income Fund
(Investor Series and Institutional Series units)
TD Balanced Growth Fund
(Investor Series and Institutional Series units)
TD Global Asset Allocation Fund
(Investor Series units)
TD Dividend Income Fund
(Investor Series, Institutional Series, O-Series and H-Series units)
TD Dividend Growth Fund
(Investor Series, Institutional Series and O -Series units)
TD Income Trust Capital Yield Fund
(Investor Series and Institutional Series units)
TD Canadian Blue Chip Equity Fund
(Investor Series, Institutional Series and O -Series units)
TD Canadian Equity Fund
(Investor Series and Institutional Series units)
TD Canadian Value Fund
(Investor Series and Institutional Series units)
TD Canadian Small-Cap Equity Fund
(Investor Series and Institutional Series units)
TD U.S. Blue Chip Equity Fund
(Investor Series and Institutional Series units)
TD U.S. Equity Fund
(Investor Series and Institutional Series units)
TD AmeriGrowth RSP Fund
(Investor Series units)
TD U.S. Large-Cap Value Fund
(Investor Series and Institutional Series units)
TD U.S. Mid-Cap Growth Fund
(Investor Series and Institutional Series units)
TD U.S. Small-Cap Equity Fund
(Investor Series, Institutional Series and O -Series units)
TD Global Select Fund

(Investor Series and Institutional Series units)
TD International Equity Fund
(Investor Series and Institutional Series units)
TD European Growth Fund
(Investor Series and Institutional Series units)
TD Japanese Growth Fund
(Investor Series units)
TD Asian Growth Fund
(Investor Series and Institutional Series units)
TD Pacific Rim Fund
(Investor Series units)
TD Emerging Markets Fund
(Investor Series and Institutional Series units)
TD Latin American Growth Fund
(Investor Series units)
TD Resource Fund
(Investor Series and Institutional Series units)
TD Energy Fund
(Investor Series units)
TD Precious Metals Fund
(Investor Series units)
TD Entertainment & Communications Fund
(Investor Series and Institutional Series units)
TD Science & Technology Fund
(Investor Series and Institutional Series units)
TD Health Sciences Fund
(Investor Series and Institutional Series units)
TD Canadian Bond Index Fund
(Investor Series, e-Series, Institutional Series and O -
Series units)
TD Balanced Index Fund
(Investor Series and e -Series units)
TD Canadian Index Fund
(Investor Series, e-Series, Institutional Series and O -
Series units)
TD Dow Jones Industrial Average Index Fund
(Investor Series and e -Series units)
TD U.S. Index Fund
(Investor Series, e-Series, Institutional Series and O -
Series units)
TD U.S. RSP Index Fund
(Investor Series, e-Series and Institutional Series units)
TD Nasdaq RSP Index Fund
(Investor Series and e -Series units)
TD International Index Fund
(Investor Series, e-Series, Institutional Series and O -
Series units)
TD International RSP Index Fund
(Investor Series, e-Series and Institutional Series units)
TD European Index Fund
(Investor Series and e -Series units)
TD Japanese Index Fund
(Investor Series and e -Series units)
TD Income Advantage Portfolio
(Investor Series and H -Series units)
TD U.S. Equity Advantage Portfolio
(Investor Series units)
Principal Regulator - Ontario

Type and Date:

Amendment #1 dated September 27, 2006 to the Final Simplified Prospectuses and Annual Information Forms dated August 31, 2006

Mutual Reliance Review System Receipt dated October 6, 2006

Offering Price and Description:

-

Underwriter(s) or Distributor(s):

TD Investment Services Inc.
TD Investment Services Inc. (for Investor Series units)
TD Investment Services Inc. (for Investor Series and e-Series units)
TD Investment Services Inc.(for Investor Series units)
TD Investment Services Inc. (for Investor Series and e-Series Units)
TD Asset Management Inc. (for Investor Series units)
TD Investment Services Inc. (for Investor Series and Premium Series units)

Promoter(s):

TD Asset Management Inc.

Project #962240

Issuer Name:

**Advisor Series, F-Series, T-Series and S-Series units
(as indicated) of:**

TD Canadian Money Market Fund
(Advisor Series and F-Series units)
TD Short Term Bond Fund
(Advisor Series and F-Series units)
TD Canadian Bond Fund
(Advisor Series and F-Series units)
TD Real Return Bond Fund
(Advisor Series and F-Series units)
TD Global RSP Bond Fund
(Advisor Series and F-Series units)
TD High Yield Income Fund
(Advisor Series and F-Series units)
TD Monthly Income Fund
(Advisor Series, F-Series, T-Series and S-Series units)
TD Balanced Income Fund
(Advisor Series and F-Series units)
TD Balanced Growth Fund
(Advisor Series and F-Series units)
TD Dividend Income Fund
(Advisor Series, F-Series, T-Series and S-Series units)
TD Dividend Growth Fund
(Advisor Series and F-Series units)
TD Income Trust Capital Yield Fund
(Advisor Series and F-Series units)
TD Canadian Blue Chip Equity Fund
(Advisor Series and F-Series units)
TD Canadian Equity Fund
(Advisor Series and F-Series units)
TD Canadian Value Fund
(Advisor Series and F-Series units)
TD Canadian Small-Cap Equity Fund
(Advisor Series and F-Series units)
TD U.S. Blue Chip Equity Fund
(Advisor Series and F-Series units)
TD U.S. Large-Cap Value Fund
(Advisor Series and F-Series units)
TD U.S. Mid-Cap Growth Fund
(Advisor Series and F-Series units)
TD U.S. Small-Cap Equity Fund
(Advisor Series and F-Series units)
TD Global Select Fund
(Advisor Series and F-Series units)
TD International Equity Fund
(Advisor Series and F-Series units)
TD Japanese Growth Fund
(Advisor Series and F-Series units)
TD Asian Growth Fund
(Advisor Series and F-Series units)
TD Emerging Markets Fund
(Advisor Series and F-Series units)
TD Latin American Growth Fund
(Advisor Series and F-Series units)
TD Resource Fund
(Advisor Series and F-Series units)
TD Energy Fund
(Advisor Series and F-Series units)
TD Precious Metals Fund
(Advisor Series and F-Series units)
TD Entertainment & Communications Fund
(Advisor Series and F-Series units)

TD Science & Technology Fund
(Advisor Series and F-Series units)
TD Health Sciences Fund
(Advisor Series and F-Series units)
TD Canadian Bond Index Fund
(F-Series units)
TD Canadian Index Fund
(F-Series units)
TD Dow Jones Industrial Average Index Fund
(F-Series units)
TD U.S. Index Fund
(F-Series units)
TD U.S. RSP Index Fund
(F-Series units)
TD Nasdaq RSP Index Fund
(F-Series units)
TD International Index Fund
(F-Series units)
TD International RSP Index Fund
(F-Series units)
TD European Index Fund
(F-Series units)
TD Japanese Index Fund
(F-Series units)
TD Income Advantage Portfolio
(Advisor Series, F-Series, T-Series and S-Series units)
TD U.S. Equity Advantage Portfolio
(Advisor Series and F-Series units)
Principal Regulator - Ontario

Type and Date:

Amendment #1 dated September 27, 2006 to Final Simplified Prospectuses and Annual Information Forms dated August 31, 2006
Mutual Reliance Review System Receipt dated October 6, 2006

Offering Price and Description:

-

Underwriter(s) or Distributor(s):

TD Investment Services Inc. (for Investor Series units)
TD Investment Services Inc. (for Investor Series units)
TD Investment Services Inc. (for Investor Series and e-Series Units)
TD Investment Services Inc. (for Investor Series and e-Series units)
TD Asset Management Inc. (for Investor Series units)

Promoter(s):

TD Asset Management Inc.

Project #962288

Issuer Name:

Wilkinson Good Neighbor Communities Real Estate
Investment Trust

Principal Jurisdiction - British Columbia

Type and Date:

Amended and Restated Preliminary Prospectus dated May
4th, 2006

Withdrawn on May 30th, 2006

Offering Price and Description:

-

Underwriter(s) or Distributor(s):

-

Promoter(s):

-

Project #924346

This page intentionally left blank

Chapter 12

Registrations

12.1.1 Registrants

| Type | Company | Category of Registration | Effective Date |
|---|--|--|--------------------|
| Change of Name | From: Progressive Wealth Management | Investment Dealer | September 13, 2006 |
| | To: PWM Capital | | |
| Change of Name | From: Merrill Lynch Investment Managers (Institutional) Canada Ltd. | Extra-Provincial Investment Counsel and Portfolio Manager | September 29, 2006 |
| | To: Blackrock (Institutional) Canada Ltd. | | |
| Consent to Suspension (Rule 33-501 – <i>Surrender of Registration</i>) | Retrocom Investment Management Inc. | Limited Market Dealer and Investment Counsel and Portfolio Manager | October 2, 2006 |
| New Registration | Silver Heights Capital Management Inc. | Limited Market Dealer and Investment Counsel & Portfolio Manager | October 4, 2006 |
| New Registration | Mallory Capital Group, LLC | Limited Market Dealer | October 5, 2006 |
| New Registration | Earnest Partners, LLC | International Adviser (Investment Counsel & Portfolio Manager) | October 5, 2006 |
| New Registration | Genova Private Management Inc. | Limited Market Dealer and Investment Counsel & Portfolio Manager | October 5, 2006 |
| New Registration | Queen Financial Group Inc. | Mutual Fund Dealer | October 6, 2006 |

This page intentionally left blank

Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 IDA By-law Nos. 21 and 41 and Form 1 - Amendments to Reflect Changes to CIPF Oversight Role

INVESTMENT DEALERS ASSOCIATION OF CANADA – BY-LAW NOS. 21 AND 41 AND FORM 1 - AMENDMENTS TO REFLECT CHANGES TO CIPF OVERSIGHT ROLE

I OVERVIEW

The Association and the Canadian Investor Protection Fund (CIPF) have recently agreed to make changes to the oversight role that CIPF performs over the affairs of the Association. Rule changes are necessary to reflect the role changes and to ensure that CIPF has adequate ongoing access to Member premises, information and personnel, should the need arise due to an insolvency or for other reasons.

A Current Rules

The current rules refer in a number of instances to CIPF Minimum Standards and CIPF rules. The CIPF Minimum Standards are minimum regulatory requirements relating to:

- Member firm capital adequacy, minimum books and records, internal controls and insurance coverage requirements;
- Customer account information collection, margin and security position segregation requirements;
- External auditor selection and audit requirements; and
- Self-regulatory organization compliance examination, Member firm early warning reporting and Reportable Condition requirements.

These standards were first developed in the 1970s when there were five Canadian self-regulatory organizations with member regulation responsibilities (Alberta Stock Exchange, Investment Dealers Association of Canada, Montreal Exchange, Toronto Stock Exchange and Vancouver Stock Exchange) and there was need for CIPF to ensure that there was investor protection related rule uniformity across the country. At that time, the CIPF also commenced sample reviews of Canadian self-regulatory organization compliance examination files to ensure adequacy and uniformity of compliance examinations amongst the member regulation self-regulatory organizations.

B The Issue(s)

The need for the CIPF Minimum Standards is now significantly diminished because the Association is now the sole remaining Canadian self-regulatory organization with member regulation responsibilities (refer to table below):

| Self-regulatory organization | Member regulation responsibilities |
|--------------------------------|---|
| Alberta Stock Exchange | Merged with VSE to form Canadian Venture Exchange (now the TSX Venture Exchange) and transferred member regulation function to IDA in November 1999 |
| Investment Dealers Association | Ongoing |
| Montreal Exchange | Transferred member regulation function to IDA in January 2005 |
| Toronto Stock Exchange | Transferred member regulation function to IDA in February 1997 |
| Vancouver Stock Exchange | Merged with ASE to form Canadian Venture Exchange (now the TSX Venture Exchange) and transferred member regulation function to IDA in November 1999 |

The Association also has specific rules that address each of the items listed in the CIPF Minimum Standards. The CIPF Minimum Standards are therefore no longer needed to ensure that there are consistent and adequate investor protection related rules in place. The CIPF has therefore agreed to eliminate the CIPF Minimum Standards, which are included in a schedule to the current Industry Agreement between the CIPF and the Association.

The securities commissions that have formally recognized the Association as a self-regulatory organization have increasingly been involved in the direct oversight of the Association's activities. In the area of rulemaking, all rules are submitted for commission staff review and comment and must be formally approved by four commissions (in British Columbia, Alberta, Ontario and Quebec). There is therefore no longer the same need for the commissions to rely on CIPF's rulemaking oversight process, which today involves the submission of Association rules that relate to the CIPF Minimum Standards to the CIPF Minimum Standards Committee (a committee of the CIPF Board of Governors) for approval. The CIPF has therefore agreed to disband the CIPF Minimum Standards Committee.

With the making of these changes, the CIPF has concerns that they continue to require members to pay CIPF premiums, and have access to Member firm premises, information and personnel should the need arise due to an insolvency or for other reasons.

C Objective(s)

The objectives of the rule proposals are as follows:

1. By-law No. 21 - No Actions Against the Association and Others

This by-law currently limits the ability of Member firms and their employees to sue the Association, its Board or Directors and any of its committees, employees or agents. The objective of the proposed rule change is to extend this limitation to include the CIPF, its Board or Directors and any of its committees, employees or agents.

2. By-law No. 41 - Canadian Investor Protection Fund

The objective of this new by-law is to specifically codify existing Association and individual Member firm obligations to the CIPF. Individual Member firm obligations include:

- The requirement to pay regular and special CIPF assessments to the Association, as the current practice is that the Association collects CIPF fees on their behalf;
- The granting of permission for the CIPF and the Association to share financial and other information relating to the Member firm's operations or its customer's affairs;
- The granting to CIPF of Member firm premises, information and personnel access; and
- The agreeing to comply with actions the Member firm is requested by the CIPF (or the Association on behalf of CIPF) to take.

3. Form 1 - Joint Regulatory Questionnaire and Report

The objective of the amendments to Form 1 is to remove all references to CIPF Minimum Standards and CIPF rules as these will no longer exist once the Industry Agreement between the CIPF and the Association is modified.

D Effect of Proposed Rules

The rules will have no effect on market structure, Member firm versus non-Member firm competition and competition generally. Overall industry costs will be reduced to the extent there are cost savings at the CIPF resulting from their reduction of their oversight role.

II DETAILED ANALYSIS

A Present Rules, Relevant History and Proposed Policy

Refer to Section I of this paper. A detailed analysis was considered unnecessary.

B Issues and Alternatives Considered

No other alternatives were considered.

C Comparison with Similar Provisions

As far as we are aware, the CIPF is the only securities industry related investor protection fund in the developed world that carries out regulation oversight activities. We are aware of no other investor protection fund in Canada in any industry that carries out regulation oversight activities. The changes agreed to between the Association and the CIPF bring the CIPF in line with these other investor protection funds.

D Systems Impact of Rule

There will be no systems impacts associated with the implementation of this rule.

E Best Interests of the Capital Markets

The Board has determined that this public interest rule is not detrimental to the best interests of the capital markets.

F Public Interest Objective

According to the Association's Order of Recognition as a self regulatory organization, the Association 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. The purposes of the proposals are 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 proposals have been determined to be public interest in nature.

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, Newfoundland and Labrador, Nova Scotia and Saskatchewan.

B Effectiveness

As the proposed rule amendments either reflect changes to the CIPF oversight role or codify existing practice they have been determined to be effective.

C Process

These proposals were developed by Association staff in consultation with CIPF staff as part of discussions to amend the Industry Agreement involving the CIPF and the Association.

IV SOURCES

References:

- IDA By-law No. 21
- IDA Form 1
- Canadian Investor Protection Fund Industry Agreement (dated December 14, 2001; effective January 1, 2002)
- Study of the Canadian Securities Industry Regulatory Framework – Louis Piergeti, Vice President, Financial Compliance and Richard Corner, Vice President, Regulatory Policy

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying proposed amendments.

SRO Notices and Disciplinary Proceedings

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 Richard J. Corner, Vice President, 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:

Richard J. Corner
Vice President, Regulatory Policy
Investment Dealers Association of Canada
(416) 943-6908
rcorner@ida.ca

**INVESTMENT DEALERS ASSOCIATION OF CANADA
BY-LAW NOS. 21 AND 41 AND FORM 1 -
AMENDMENTS TO REFLECT CHANGES TO CIPF OVERSIGHT ROLE**

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 No. 21 is repealed and replaced as follows:

**“BY-LAW NO. 21
NO ACTIONS AGAINST THE ASSOCIATION AND OTHERS**

- 21.1 No Member (including in all cases a Member whose rights and privileges have been suspended or terminated and a Member who has been expelled from the Association or whose Membership has been forfeited) or any other person who is subject to the jurisdiction of the Association, shall be entitled, subject to the provisions of By-law 33, to commence or carry on any action or other proceedings against the Association or against the Board of Directors, the National Advisory Committee, the Executive Committee, any District Council, any Business Conduct Committee, any District Audit Committee, or any other National, District or other committee, council or section of the Association, or against any member of the staff or officer of the Association or member or officer of any such Board, committee, council or section or against any Member's Auditor, or against the Canadian Investor Protection Fund, its Board of Directors, any of its committees or its officers, employees and agents, in respect of any penalty imposed or any act or omission done or omitted under the provisions of and in compliance with or intended compliance with the provisions of any By-law, Regulation, Ruling or Policy and, in addition, in the case of the Canadian Investor Protection Fund, its letters patent, by-laws and policies and all legislation or regulatory directives or agreements thereunder.”

2. By-law No. 41 is added as follows:

**BY-LAW NO. 41
CANADIAN INVESTOR PROTECTION FUND**

- 41.1 The Association is authorized to enter into and perform its obligations under such agreements or other arrangements with Canadian Investor Protection Fund as may be, in the discretion of the Board of Directors, consistent with the objects of the Association including, without limitation, the Industry Agreement dated •, 2006 made between the Association and the Canadian Investor Protection Fund, as the same may be amended from time to time (the Industry Agreement). The President, his or her staff or any other person designated by the Board of Directors shall be authorized to execute and deliver any such agreements, or make any such arrangements, and to do all acts and things as may be necessary to permit the Association to exercise its rights or perform its obligations thereunder.
- 41.2 In respect of the Industry Agreement or other agreements and arrangements entered into by the Association in accordance with By-law 41.1 from time to time, each Member:
- (a) shall promptly pay to the Association its regular and special Canadian Investor Protection Fund assessments;
 - (b) shall provide to the Canadian Investor Protection Fund or to the Association all information required to assess its financial condition or Canadian Investor Protection Fund risk of loss;
 - (c) acknowledges and consents to the exchange of information relating to its operations, including information pertaining to its partners, directors, officers, shareholders, employees and agents, or any other persons permitted by law, or its customer's affairs, between the Association and the Canadian Investor Protection Fund, in accordance with any information sharing agreements or arrangements made by them;
 - (d) shall permit the Canadian Investor Protection Fund to conduct reviews of its operations in respect of Industry Agreement Reportable Conditions or other agreement or arrangement Reportable Conditions and shall fully cooperate with the Canadian Investor Protection Fund, and its staff and advisers, in connection with such reviews;

- (e) shall comply with such actions as the Canadian Investor Protection Fund may direct the Association to take, or with such actions as Canadian Investor Protection Fund may take on behalf of the Association as authorized."

3. Form 1 is amended as follows:

- (a) Within the General Notes and Definitions to Note 1:
 - (i) Delete the reference to "The Canadian Venture Exchange" as a Joint Regulatory Body
 - (ii) Remove the text "under Canadian Investor Protection Fund rules" from the end of the note.
- (b) Within the Notes and Instructions to Statement B, Notes to Line 21 removal the text "under Canadian Investor Protection Fund rules" from the end of the note.
- (c) Within the Notes and Instructions to Statement C, Notes to Lines 1, 3 and 5 remove the text "and the Canadian Investor Protection Fund" from the end of the note.
- (d) Within the Notes and Instructions to Schedule 2, Note 1 remove the text "and the Canadian Investor Protection Fund" from the end of the note.
- (e) Within the Notes and Instructions to Schedule 2B, Note 1 remove the text "and the Canadian Investor Protection Fund" from the second last sentence within the note.
- (f) Within the Notes and Instructions to Schedule 10, Note 1 remove the text "and Canadian Investor Protection Fund" from the end of the note.

BE IT RESOLVED THAT the Board of Directors adopt, on this (date), the English and French versions of these amendments. The Board of Directors also authorizes the Association Staff to make the minor changes that shall be required from time to time by the securities administrators with jurisdiction. These amendments shall take effect on the date determined by the Association Staff.

**INVESTMENT DEALERS ASSOCIATION OF CANADA
BY-LAW NOS. 21 AND 41 AND FORM 1 -
AMENDMENTS TO REFLECT CHANGES TO CIPF OVERSIGHT ROLE**

BLACK-LINE COPY

**BY-LAW NO. 21
NO ACTIONS AGAINST THE ASSOCIATION AND OTHERS**

- 21.1 ~~No Member and no partner, director or officer of a Member (including in all cases a Member whose rights and privileges have been suspended or terminated and a Member who has been expelled from the Association or whose Membership has been forfeited) or any other and no person who is subject, upon application for approval as a partner, director, officer, sales manager, branch manager, assistant or co-branch manager, registered representative or investment representative, submitted to the jurisdiction of the Association, shall be entitled, subject to the provisions of By-law 33, to commence or carry on any action or other proceedings against the Association or against the Board of Directors, the National Advisory Committee, the Executive Committee, any District Council, any Business Conduct Committee, any District Audit Committee, or any other National, District or other committee, council or section Committee or Council of the Association, or against any member of the staff or officer of the Association or member or officer of any such Board, committee, council or section Committee or Council or against any Member's Auditor, or against the Canadian Investor Protection Fund, its Board of Directors, any of its committees or its officers, employees and agents, in respect of any penalty imposed or any act or omission done or omitted under the provisions of and in compliance with or intended compliance with the provisions of any By-law, Regulation, Ruling or Policy and, in addition, in the case of the Canadian Investor Protection Fund, its letters patent, by-laws and policies and all legislation or regulatory directives or agreements thereunder.~~

**BY-LAW NO. 41
CANADIAN INVESTOR PROTECTION FUND**

- ~~41.1 The Association is authorized to enter into and perform its obligations under such agreements or other arrangements with Canadian Investor Protection Fund as may be, in the discretion of the Board of Directors, consistent with the objects of the Association including, without limitation, the Industry Agreement dated •, 2006 made between the Association and the Canadian Investor Protection Fund, as the same may be amended from time to time (the Industry Agreement). The President, his or her staff or any other person designated by the Board of Directors shall be authorized to execute and deliver any such agreements, or make any such arrangements, and to do all acts and things as may be necessary to permit the Association to exercise its rights or perform its obligations thereunder.~~
- ~~41.2 In respect of the Industry Agreement or other agreements and arrangements entered into by the Association in accordance with By-law 41.1 from time to time, each Member:~~
- ~~(a) shall promptly pay to the Association its regular and special Canadian Investor Protection Fund assessments;~~
 - ~~(b) shall provide to the Canadian Investor Protection Fund or to the Association all information required to assess its financial condition or Canadian Investor Protection Fund risk of loss;~~
 - ~~(c) acknowledges and consents to the exchange of information relating to its operations, including information pertaining to its partners, directors, officers, shareholders, employees and agents, or any other persons permitted by law, or its customer's affairs, between the Association and the Canadian Investor Protection Fund, in accordance with any information sharing agreements or arrangements made by them;~~
 - ~~(d) shall permit the Canadian Investor Protection Fund to conduct reviews of its operations in respect of Industry Agreement Reportable Conditions or other agreement or arrangement Reportable Conditions and shall fully cooperate with the Canadian Investor Protection Fund, and its staff and advisers, in connection with such reviews;~~
 - ~~(e) shall comply with such actions as the Canadian Investor Protection Fund may direct the Association to take, or with such actions as Canadian Investor Protection Fund may take on behalf of the Association as authorized.~~

FORM 1

GENERAL NOTES AND DEFINITIONS

1. Each Member shall comply in all respects with the requirements outlined in this prescribed Joint Regulatory Financial Questionnaire and Report as approved and amended from time to time by the Board of Directors of the Joint Regulatory Bodies and Canadian Investor Protection Fund.

These statements are to be prepared in accordance with generally accepted accounting principles, except as modified by the requirements of the appropriate regulatory body.

These statements and schedules are to be completed by members of the Joint Regulatory Bodies as follows:

- ~~_____ The Canadian Venture Exchange~~
- The Montreal Exchange
- The Toronto Stock Exchange
- Investment Dealers Association of Canada

Firms may have multiple memberships in the above bodies. When this is the case and the requirements of such bodies are not consistent in a specific area, the firm must adhere to the most stringent requirement. The "appropriate Joint Regulatory Body" refers to the institution that maintains the primary audit jurisdiction for the firm and its affiliates ~~under Canadian Investor Protection Fund rules.~~

Notes and Instructions to Statement B, Notes to Line 21

Line 21 - This item should include all margin requirements not mentioned above as outlined in the bylaws, rules and regulations of the Joint Regulatory Bodies ~~and the Canadian Investor Protection Fund.~~

Notes and Instructions to Statement C, Notes to Lines 1, 3 and 5

Line 1 - If Risk Adjusted Capital of the firm is less than:

- (a) 5% of total margin required (line 4 above), then the firm is designated as being in Early Warning category **Level 1**, or
- (b) 2% of total margin required (line 4 above), then the firm is designated as being in Early Warning category **Level 2**,

and the applicable sanctions outlined in the bylaws, rules and regulations of the Joint Regulatory Bodies ~~and the Canadian Investor Protection Fund will apply.~~

Line 3 - If Early Warning Excess is negative, the firm is designated as being in Early Warning category **Level 2** and the sanctions outlined in the applicable bylaws, rules and regulations of the Joint Regulatory Bodies ~~and the Canadian Investor Protection Fund will apply.~~

Line 5 - If the Early Warning Reserve is negative, the firm is designated as being in Early Warning category **Level 1** and the sanctions outlined in the applicable bylaws, rules and regulations of the Joint Regulatory Bodies ~~and the Canadian Investor Protection Fund will apply.~~

Notes and Instructions to Schedule 2, Note 1

1. All securities are to be valued at market (see General Notes and Definitions) as of the reporting date. The margin rates to be used are those outlined in the bylaws, rules and regulations of the Joint Regulatory Bodies ~~and the Canadian Investor Protection Fund.~~

Notes and Instructions to Schedule 2B, Note 1

1. The purpose of this schedule is to disclose all unsold portions of new and secondary issues held by underwriters, other than issues disclosed on Statement A, lines 9 and 53, **that are margined at less than the normal margin rates** applicable to those securities as permitted in the bylaws, rules and regulations of the Joint Regulatory Bodies ~~and the Canadian Investor Protection Fund.~~ Expiry date refers to the date of any out clause or the expiry date on a bank letter.

Notes and Instructions to Schedule 10, Note 1

1. Member firms must maintain minimum insurance in type and amounts as outlined in the bylaws, rules and regulations of the Joint Regulatory Bodies and Canadian Investor Protection Fund.

13.1.2 IDA Regulations 100.9 and 100.10 - Amendments to Recognize Three Complex Option Offset Strategies and to Expand the List of Available Option Spreads Involving Individual Equities

**INVESTMENT DEALERS ASSOCIATION OF CANADA – REGULATIONS 100.9 AND 100.10
AMENDMENTS TO RECOGNIZE THREE COMPLEX OPTION OFFSET STRATEGIES
AND TO EXPAND THE LIST OF AVAILABLE OPTION SPREADS INVOLVING INDIVIDUAL EQUITIES**

I OVERVIEW

A Current Rules

The current capital and margin rules set out in Regulation 100 do not recognize certain core complex option offset strategies, such as the Long Condor Spread, the Short Iron Butterfly Spread, and the Short Iron Condor Spread.

These complex option offset strategies can be derived by combining and netting basic spreads, such as the Box Spread and Butterfly Spread, which are already defined in Regulation 100.9 (h) and 100.10 (h). However, the current rules restrict these spreads to index products only.

Our review of Regulation 100.9 and 100.10 also identified certain inconsistencies and lack of clarity for the option spreads listed in sections 100.9 (f) and (h) and 100.10 (f) and (h). The current option spread rules are not always clear in defining their applicability to the “same underlying interest”, or in addressing any restrictions regarding option expiry times.

In addition, the current margin and capital requirements for the Short Butterfly Spread (100.9 (h)(C) and 100.10 (h)(C)) does not make an allowance for the proceeds from the sale of the short options to be used to reduce the minimum margin or capital required. However, as noted in this paper, the proposed capital and margin requirements for the Short Iron Butterfly Spread and Short Iron Condor Spread, which share a similar limited risk profile, specifically make this allowance.

B The Issue(s)

The increasing sophistication of option strategies and investors, coupled with the recent recognition of the Long Condor Spread, Short Iron Butterfly Spread, and Short Iron Condor Spread by U.S. regulators, has created a demand for these types of offsets within the Canadian market, and highlighted the inefficiencies in applying the current capital and margin requirements from Regulation 100 to these advanced strategies. It is intended that the formal recognition of these offset strategies by the IDA will reduce existing inefficiencies in the current rules and allow for minimum capital and margin requirements that are reflective of the risks relating to these strategies. The minimum capital and margin requirements for these strategies reflect the potential worst case scenario loss.

Each of the three new complex option offset strategies is considered “market neutral”¹, with a “limited risk / limited reward” profile that could be implemented with either individual equity options or index products. Given that these complex option offset strategies can be derived by combining and netting basic spreads, our assessment of these new strategies necessarily involved a review and reassessment of the option spreads currently recognized by the IDA. As discussed in more detail below, a key issue identified was in regard to the Box Spread and Butterfly Spread, and the current restriction in place limiting their application to index products.

C Objective(s)

The main objective of this set of proposed amendments to Regulation 100 is to expand the number of permitted reduced capital and margin option offset strategies. A second objective is to expand the list of option spreads available for individual equity options by removing the current restriction limiting the Box Spread, Long Butterfly Spread, and Short Butterfly Spread to index products. A third more general objective of this proposal is to clarify and ensure consistency of the capital and margin requirements that are set out in Regulation 100.

D Effect of Proposed Rules

Adoption of the proposed amendments will expand the number of reduced capital and margin option offset strategies as well as the number of option spreads available for individual equity options. These offsets are generally already permitted for use within other regulated markets, most notably the U.S. As a result, it is anticipated that there will be no negative impact of the proposed rules on market structure, competitiveness of Member firms versus non Member firms and costs of compliance.

¹ In this context, market neutral refers to strategies that are neither overtly “Bearish” or “Bullish”, but rather are designed to profit from securities or indices that trade within a defined range.

II DETAILED ANALYSIS

A Present Rules, Relevant History and Proposed Policy

PRESENT RULES AND RELEVANT HISTORY

As previously stated, the current capital and margin rules for option spreads as set out in Regulation 100.9 (f) and (h) and 100.10 (f) and (h), do not recognize the Long Condor Spread, the Short Iron Butterfly Spread, and the Short Iron Condor Spread. As noted above, these complex strategies can be derived by combining and netting basic spreads, such as the Butterfly Spread and Box Spread, or Call Spreads and Put Spreads. However, the application of the current IDA rules to the proposed complex option spreads, which simply combine the margin requirements of each piece of the strategy, results in excess conservatism and margin requirements in relation to the risk of the overall position. Our review indicates that this is particularly true with regard to the Short Iron Butterfly Spread and Short Iron Condor Spread. The Long Condor Spread, although not specifically defined in the Regulations, is properly margined when the margin requirement for each piece of the strategy is combined.

Long Condor Spread

The Long Condor Spread is similar to a Butterfly Spread, except it includes four strike prices instead of three. A Long Condor Spread should result in a net debit being charged to the investor, which also represents the maximum risk of the position. The Long Condor Spread can be derived from the netting of two Long Butterfly Spreads. The existing IDA margin requirement for the two Long Butterfly Spreads, which requires margin totaling the net market value of the short and long call options, is appropriate for the Long Condor Spread. This is in harmony with the recent U.S. amendments which require that the “net debit” be paid in full. Therefore, IDA staff for ease of reference, propose to formally recognize this strategy in the Regulations.

Short Iron Butterfly Spread and Short Iron Condor Spread

The structure and risk parameters for the Short Iron Butterfly and Short Iron Condor Spreads are similar to each other. Both consist of 4 option series (2 puts and 2 calls as exhibited in Figures 1 and 2 below in the sections marked “NET”)², with exercise prices in ascending order. In effect, the Condor or Butterfly “body” is made up of 2 short options (1 put and 1 call) and is flanked on either side by “wings” made up of 2 long options (1 put and 1 call). The main distinction between the two strategies is that with a Short Iron Butterfly, the 2 short options have the same strike price, whereas with a Short Iron Condor the 2 short options have different strike prices.

Figure 1.

| | PUTS | | | CALLS | | | | |
|-----------------------------|---------------|--------------|--------------|-----------------|---------------|--------------|--------------|--------------|
| | Feb 45 @.5 | Feb 50 @1 | Feb 55 @2 | Feb 45 @16.5 | Feb 50 @12 | Feb 55 @8 | Feb 60 @6 | Feb 65 @5 |
| Short Iron Butterfly | | | | | | | | |
| Long Butterfly | | | | | 1 | -2 | 1 | |
| Short Box | | 1 | -1 | | -1 | 1 | | |
| NET | | <u>1</u> | <u>-1</u> | | <u>-1</u> | <u>1</u> | | |

Figure 2.

| | PUTS | | | CALLS | | | | |
|--------------------------|---------------|--------------|--------------|-----------------|---------------|--------------|--------------|--------------|
| | Feb 45 @.5 | Feb 50 @1 | Feb 55 @2 | Feb 45 @16.5 | Feb 50 @12 | Feb 55 @8 | Feb 60 @6 | Feb 65 @5 |
| Short Iron Condor | | | | | | | | |
| Long Butterfly | | | | | 1 | -2 | 1 | |
| Long Butterfly | | | | | | 1 | -2 | 1 |
| Short Box | | 1 | -1 | | -1 | 1 | | |
| NET | | <u>1</u> | <u>-1</u> | | <u>-1</u> | <u>1</u> | | <u>1</u> |

In practice, and as exhibited by the “NET” positions in Figures 1 and 2, both the Short Iron Butterfly Spread and Short Iron Condor Spread can be viewed as the combination of a Bull Put Spread and a Bear Call Spread. In pairing together the Bull Put and Bear Call spreads, the total risk is less than the sum of the risk of both spread positions if they were viewed as “stand-alone spreads”. However, under the current IDA rules, both of the underlying spreads are subject to margin and capital requirements. As a result, the IDA initial margin requirement for customer positions results in a “double margin” requirement, even though the maximum loss is restricted to the difference in strike prices on either underlying spread (Bull Put or Bear Call), less the net credit

² Excerpted from Chicago Board Options Exchange (CBOE) Regulatory Circular RG03-066.

received when the position was initially created. Only one of the underlying spreads would be affected negatively by a sudden movement in the price of the underlying security. In contrast to the current IDA margin requirements, the U.S. regulators' minimum initial and maintenance margin requirement for the Short Iron Butterfly and Short Iron Condor is equal to the strike price interval, less the net credit received, which is the maximum loss.

Applicability to Index products and Individual equity options

The current rules limit the application of the Box Spread and Butterfly Spreads to index products, however this restriction appears excessively conservative and unwarranted given the risk parameters of these option spreads. It should be noted that options on individual equities are American Style, while index options are typically European Style³. However, the distinction between American and European Style options does not appear to be a material factor in restricting these option spreads to index products only. IDA Regulations 100.9 (h)(i) and 100.10 (h)(i), regarding the Box Spread, Long Butterfly Spread and Short Butterfly Spread, currently allow these strategies for "index options" and "index participation unit options". It is notable that "index options" are European Style and cash settled, while "index participation units" are American Style and upon exercise are settled by the delivery of the units⁴.

Nevertheless, given that individual equities are subject to more volatility than index products, and are American Style (subject to exercise at any time), it is likely that spreads composed of individual equity options will require greater monitoring than those composed of European Style options on an index. However, in regard to customer accounts, these are strategies that should only be used by sophisticated investors, familiar with the risk profile of these strategies as well as with the necessary exit strategies. IDA regulations continue to restrict these spreads to margin accounts, and as such, any alternate risk profile created as a result of an investor unraveling a spread "leg by leg", would be subject to additional margin requirements at the firm's discretion.

PROPOSED RULE AMENDMENT

It is proposed that the Long Condor Spread, Short Iron Butterfly Spread, and Short Iron Condor Spread be included under sections 100.9 (f) and 100.10 (f), "Option spreads and combinations", and therefore be made available for individual equity options as well as index products. In recognizing these complex option offset strategies, it is intended that the minimum capital and margin requirements should reflect the potential worst case scenario loss. In brief, the proposed minimum capital and margin requirements for the three new complex option offset strategies are as follows:

- *Long Condor Spread* – Net market value of the short and long call options (or put options).
- *Short Iron Butterfly Spread* – Strike price interval, less any premium credit carried on the short options.
- *Short Iron Condor Spread* – Strike price interval, less any premium credit carried on the short options.

In addition, it is also proposed that the Box Spread, Long Butterfly Spread, and Short Butterfly Spread, also be included under sections 100.9 (f) and 100.10 (f) and be made available for individual equity options.

Moreover, in order to maintain consistency and clarity for the option spreads listed in sections 100.9 (f) and 100.10 (f), it is proposed to amend the wording of certain existing spreads to make clear their applicability to the "same underlying interest", as well as any restrictions regarding option expiry times. It is also proposed to revise the margin and capital requirements for the short butterfly spread, allowing the proceeds from the sale of the short options to be used to reduce the minimum margin or capital required. This is in keeping with the requirements for the other proposed spreads in section (f) that have a similar risk profile, and is also in harmony with the margin requirement for the Short Butterfly Spread under CBOE 12 (c)(7) and NYSE Rule 431.

B Issues and Alternatives Considered

The only other alternative considered was to leave the current number of recognized option spreads in Regulation 100 unchanged, and to continue to restrict certain option spreads to index products. This alternative was dismissed as it is apparent that the increasing sophistication of options strategies and investors has clearly created a demand within the Canadian Marketplace for these types of strategies. It is apparent that the application of the current capital and margin requirements to these new complex option offset strategies is overly conservative.

³ A European Style option can only be exercised at the end of its life, whereas an American Style option can be executed anytime during its life. In addition, European Style index options are cash settled, whereas American Style individual equity option require the delivery of the underlying security upon exercise.

⁴ See for example the "Reference Manual", Bourse de Montreal Inc., regarding SXO index options and XIU Index Participation Units.

C Comparison with Similar Provisions

In the U.S., in December 2005, The Securities and Exchange Commission (SEC) approved a rule change initiated by the Chicago Board Options Exchange (CBOE) and the New York Stock Exchange (NYSE) regarding the margin requirements for complex option spreads, highlighted by the recognition of three core strategies: Long Condor Spread, Short Iron Butterfly Spread, and Short Iron Condor Spread. In April 2006, the NASD filed amendments to its rules with the SEC, which recognized the three complex options strategies under consideration. In its filing with the SEC, NASD designated the proposed amendments as a “non-controversial” rule change, making the proposal effective at time of filing.⁵ The regulations of the CBOE, NYSE, and NASD are consistent in their definitions for these complex option strategies, as well as in their minimum required margin, which is reflective of the worst case loss scenario. This proposal seeks to mirror the recent U.S. amendments, by recognizing these three core strategies and determining minimum capital and margin requirements reflective of the worst case loss scenario.

Regarding the applicability to index products and individual equity options, the U.S. rules regarding the three proposed new option offset strategies, as well as for the Box Spread, Long Butterfly Spread and Short Butterfly Spread, allow for the use of either American Style options or European Style options⁶. Furthermore, in the U.S. each of the option spreads under consideration (Long Butterfly Spread, Short Butterfly Spread, Box Spread, Long Condor Spread, Short Iron Butterfly Spread, Short Iron Condor Spread) is available for both individual equity options and broad and narrow based index options in margin accounts⁷.

D Systems Impact of Rule

It is not anticipated that there will be any system impacts resulting from the implementation of these rule changes. The Bourse de Montreal is also in the process of passing these amendments. Implementation of these amendments will therefore take place once both the IDA and the Bourse de Montreal have received approval to do so from their respective recognizing regulators.

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

According to 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 proposal to amend the permitted option offset strategies and to expand the number of available option spreads involving individual equities. The specific purpose of this proposal is to recognize three new complex option offset strategies and to expand the number of available options spreads involving individual equities. As a result, the related general purpose of this proposal is “to facilitate fair and open competition in securities transactions generally”.

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 proposed amendments are considered to be in the public interest.

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, Newfoundland and Labrador, Nova Scotia and Saskatchewan.

⁵ In the U.S. a proposed rule change may be deemed “non-controversial” pursuant to Section 19 (b)(3)(A) of the Act and Rule 19b-4(f)(6). See Securities and Exchange Commission (Release No. 34-53743; File No. SR-NASD-2006-045).

⁶ CBOE rules allow certain limited risk spreads, derived from butterfly spreads and box spreads, to be established and carried in a cash account. To the extent that the U.S. rules differentiate between the use of either American or European Style options, it is regarding the purchase of option spreads in cash accounts, which must be composed of European style, cash settled index options that all expire at the same time.

⁷ See “Chicago Board Options Exchange – Margin Manual”, CBOE, (April 2000), and CBOE Rules 12 (c)(6) – (9).

B Effectiveness

It is believed that the adoption of these amendments will be effective in reducing the existing excess conservatism in determining the margin and capital requirements for the three proposed option offset strategies. In general, the proposed amendments will allow capital to be used more efficiently, while expanding the number of option spread alternatives available to Members and investors.

C Process

This proposal was developed and recommended for approval by the FAS Capital Formula Subcommittee and reviewed and recommended for approval by the Financial Administrators Section.

IV SOURCES

References:

- CBOE Rules, Chapter XII; NYSE Rule 431; NASD Rule 2520 & 2522.
- "Chicago Board Options Exchange – Margin Manual", CBOE, (April 2000).
- IDA Regulation 100.9 and 100.10 (Customer and Member positions in options, futures and other equity-related derivatives).
- NASD Notice to Members 06-26, May 2006.
- "Reference Manual", Bourse de Montreal Inc., (March 2004).
- SEC Release No. 34-52739, November 4, 2005; SEC Release No. 34-52738, November 10, 2005; SEC Release No. 34-52950, December 14, 2005; SEC Release No. 34-52951, December 14, 2005; SEC Release No. 34-53743, April, 28 2006.

V OSC REQUIREMENT TO PUBLISH FOR COMMENT

The Association is required to publish for comment the accompanying rule amendments.

The Association has determined that the entry into force of the proposed rule amendments would be in the public interest. Comments are sought on the proposed rule 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 Bruce Grossman, Information Analyst 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:

Bruce Grossman
Information Analyst, Regulatory Policy
Investment Dealers Association of Canada
(416) 943-5782
bgrossman@ida.ca

**INVESTMENT DEALERS ASSOCIATION OF CANADA
REGULATION 100.9 AND 100.10 –
AMENDMENTS TO RECOGNIZE THREE COMPLEX OPTION OFFSET STRATEGIES AND TO EXPAND THE LIST OF
AVAILABLE OPTION SPREADS INVOLVING INDIVIDUAL EQUITIES**

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(f)(i) is amended by adding the following words immediately following the words “one of the following spread pairings”:

“for the same underlying interest.”

2. Regulation 100.9(f) is amended by adding the following:

“(vi) **Box spread**

Where a customer account contains a box spread combination on the same underlying interest with all options expiring at the same time, such that a customer holds a long and short call option and a long and short put option and where the long call option and short put option, and short call option and long put option have the same strike price, the minimum margin required shall be the lesser of:

- (I) the greater of the margin requirements calculated for the component call and put spreads (Regulation 100.9(f)(i)); and
- (II) the greater of the out-of-the-money amounts calculated for the component call and put spreads.

“(vii) **Long butterfly spread**

Where a customer account contains a long butterfly spread combination on the same underlying interest with all options expiring at the same time, such that a customer holds a short position in two call options (or put options) and the short call options (or short put options) are at a middle strike price and are flanked on either side by a long call option (or long put option) having a lower and higher strike price respectively, the minimum margin required shall be the net market value of the short and long call options (or put options).

“(viii) **Short butterfly spread**

Where a customer account contains a short butterfly spread combination on the same underlying interest with all options expiring at the same time, such that a customer holds a long position in two call options (or put options) and the long call options (or long put options) are at a middle strike price and are flanked on either side by a short call option (or short put option) having a lower and higher strike price respectively, the minimum margin required shall be the amount, if any, by which the exercise value of the long call options (or long put options) exceeds the exercise value of the short call options (or short put options). The market value of any premium credit carried on the short options may be used to reduce the margin required.

“(ix) **Long Condor Spread**

Where a customer account contains a long condor spread combination on the same underlying interest with all options expiring at the same time, such that a customer holds four separate options series wherein the strike prices of the options are in ascending order and the interval between the strike prices is equal, comprising a short position in two call options (or put options) and the short call options (or short put options) are flanked on either side by a long call option (or long put option) having a lower and higher strike price respectively, the minimum margin required shall be the net market value of the short and long call options (or put options).

(x) **Short Iron Butterfly Spread**

Where a customer account contains a short iron butterfly spread combination on the same underlying interest with all options expiring at the same time, such that a customer holds four separate options series wherein the strike prices of the options are in ascending order, and the interval between the strike prices is equal, comprising short positions in a call option and a put option with the same strike price and the short options are flanked on either side by a long put option and a long call option having a lower and higher strike price respectively, the minimum margin required shall equal the strike price interval multiplied by the unit of trading. The market value of any premium credit carried on the short options may be used to reduce the minimum margin required.

(xi) **Short Iron Condor Spread**

Where a customer account contains a short iron condor spread combination on the same underlying interest with all options expiring at the same time, such that a customer holds four separate options series wherein the strike prices of the options are in ascending order, and the interval between the strike prices is equal, comprising short positions in a call option and a put option and the short options are flanked on either side by a long put option and a long call option having a lower and higher strike price respectively, the minimum margin required shall equal the strike price interval multiplied by the unit of trading. The market value of any premium credit carried on the short options may be used to reduce the minimum margin required."

3. Regulation 100.9(h)(i) is repealed and section (i) will now commence at the heading "Index option and index participation unit option spread combinations" with the numbering altered thereafter in sequence.

4. Regulation 100.10(f)(i) is amended by adding the following words immediately following the words "one of the following spread pairings":

"for the same underlying interest."

5. Regulation 100.10(f) is amended by adding the following:

"(vi) **Box spread**

Where a Member account contains a box spread combination on the same underlying interest with all options expiring at the same time, such that a Member holds a long and short call option and a long and short put option and where the long call option and short put option, and short call option and long put option have the same strike price, the minimum capital required shall be the lesser of:

- (I) the difference, plus or minus, between the aggregate exercise value of the long call options and the aggregate exercise value of the long put options; and
- (II) the net market value of the options.

(vii) **Long butterfly spread**

Where a Member account contains a long butterfly spread combination on the same underlying interest with all options expiring at the same time, such that a Member holds a short position in two call options (or put options) and the short call options (or short put options) are at a middle strike price and are flanked on either side by a long call option (or long put option) having a lower and higher strike price respectively, the minimum capital required shall be the net market value of the short and long call options (or put options).

(viii) **Short butterfly spread**

Where a Member account contains a short butterfly spread combination on the same underlying interest with all options expiring at the same time, such that a Member holds a long position in two call options (or put options) and the long call options (or long put options) are at a middle strike price and are flanked on either side by a short call option (or short put option) having a lower and higher strike price respectively, the minimum capital required shall be the amount, if any, by which the exercise value of the long call options (or long put options) exceeds the exercise value of the short call options (or short put options). The market value of any premium credit carried on the short options may be used to reduce the capital required.

(ix) **Long Condor Spread**

Where a Member account contains a long condor spread combination on the same underlying interest with all options expiring at the same time, such that a Member holds four separate options series wherein the strike prices of the options are in ascending order and the interval between the strike prices is equal, comprising a short position in two call options (or put options) and the short call options (or short put options) are flanked on either side by a long call option (or long put option) having a lower and higher strike price respectively, the minimum capital required shall be the net market value of the short and long call options (or put options).

(x) **Short Iron Butterfly Spread**

Where a Member account contains a short iron butterfly spread combination on the same underlying interest with all options expiring at the same time, such that a Member holds four separate options series wherein the strike prices of the options are in ascending order, and the interval between the strike prices is equal, comprising short positions in a call option and a put option with the same strike price and the short options are flanked on either side by a long put option and a long call option having a lower and higher strike price respectively, the minimum capital required shall equal the strike price interval multiplied by the unit of trading. The market value of any premium credit carried on the short options may be used to reduce the minimum capital required.

(xi) **Short Iron Condor Spread**

Where a Member account contains a short iron condor spread combination on the same underlying interest with all options expiring at the same time, such that a Member holds four separate options series wherein the strike prices of the options are in ascending order, and the interval between the strike prices is equal, comprising short positions in a call option and a put option and the short options are flanked on either side by a long put option and a long call option having a lower and higher strike price respectively, the minimum capital required shall equal the strike price interval multiplied by the unit of trading. The market value of any premium credit carried on the short options may be used to reduce the minimum margin required.”

6. Regulation 100.10(h)(i) is repealed and section (i) will now commence at the heading “Index option and index participation unit option spread combinations” with the numbering altered thereafter in sequence.

BE IT RESOLVED THAT the Board of Directors adopts, on this 27th day of September 2006, the English and French versions of these amendments. The Board of Directors also authorizes the Association Staff to make the minor changes that shall be required from time to time by the securities administrators with jurisdiction. These amendments shall take effect on the date determined by the Association Staff.

**INVESTMENT DEALERS ASSOCIATION OF CANADA
REGULATION 100.9 AND 100.10 –
AMENDMENTS TO RECOGNIZE THREE COMPLEX OPTION OFFSET STRATEGIES
AND TO EXPAND THE LIST OF AVAILABLE OPTION SPREADS INVOLVING INDIVIDUAL EQUITIES**

BLACK LINE COPY OF AMENDMENTS

Regulation 100.9(f)(i) – Amendment #1

(f) Option spreads and combinations

(i) Call spreads and put spreads

Where a customer account contains one of the following spread pairings for the same underlying interest:

- long call option and short call option; or

- long put option and short put option;

and the short option expires on or before the date of expiration of the long option, the minimum margin required for the spread pairing shall be the lesser of:

(A) the margin required on the short option pursuant to sub-paragraphs 100.9(d)(i) and (ii); or

(B) the spread loss amount, if any, that would result if both options were exercised.

Regulation 100.9(f)(vi) – (xi) – Amendment #2

(vi) Box spread

Where a customer account contains ~~one of the following~~ a box spread combinations: on the same underlying interest with all options expiring at the same time,

~~- box spread involving index options; or~~

~~- box spread involving index participation unit options;~~

such that a customer holds a long and short call option and a long and short put option ~~with the same expiry month~~ and where the long call option and short put option, and short call option and long put option have the same strike price, the minimum margin required shall be the lesser of:

(I) the greater of the margin requirements calculated for the component call and put spreads (Regulation 100.9(f)(i)); and

(II) the greater of the out-of-the-money amounts calculated for the component call and put spreads.

(vii) Long butterfly spread

Where a customer account contains ~~one of the following~~ a long butterfly spread combinations: on the same underlying interest with all options expiring at the same time,

~~- long butterfly spread involving index options; or~~

~~- long butterfly spread involving index participation unit options;~~

such that a customer holds a short position in two call options (or put options) and the short call options (or short put options) are at a middle strike price and are flanked on either side by a long call option (or long put option) having a lower and higher strike price respectively, the minimum margin required shall be the net market value of the short and long call options (or put options).

(viii) **Short butterfly spread**

Where a customer account contains one of the following a short butterfly spread combinations: on the same underlying interest with all options expiring at the same time.

~~– short butterfly spread involving index options; or~~

~~– short butterfly spread involving index participation unit options;~~

such that a customer holds a long position in two call options (or put options) and the long call options (or long put options) are at a middle strike price and are flanked on either side by a short call option (or short put option) having a lower and higher strike price respectively, the minimum margin required shall be the amount, if any, by which the exercise value of the long call options (or long put options) exceeds the exercise value of the short call options (or short put options). The market value of any premium credit carried on the short options may be used to reduce the margin required.

(ix) **Long Condor Spread**

Where a customer account contains a long condor spread combination on the same underlying interest with all options expiring at the same time, such that a customer holds four separate options series wherein the strike prices of the options are in ascending order and the interval between the strike prices is equal, comprising a short position in two call options (or put options) and the short call options (or short put options) are flanked on either side by a long call option (or long put option) having a lower and higher strike price respectively, the minimum margin required shall be the net market value of the short and long call options (or put options).

(x) **Short Iron Butterfly Spread**

Where a customer account contains a short iron butterfly spread combination on the same underlying interest with all options expiring at the same time, such that a customer holds four separate options series wherein the strike prices of the options are in ascending order, and the interval between the strike prices is equal, comprising short positions in a call option and a put option with the same strike price and the short options are flanked on either side by a long put option and a long call option having a lower and higher strike price respectively, the minimum margin required shall equal the strike price interval multiplied by the unit of trading. The market value of any premium credit carried on the short options may be used to reduce the minimum margin required.

(xi) **Short Iron Condor Spread**

Where a customer account contains a short iron condor spread combination on the same underlying interest with all options expiring at the same time, such that a customer holds four separate options series wherein the strike prices of the options are in ascending order, and the interval between the strike prices is equal, comprising short positions in a call option and a put option and the short options are flanked on either side by a long put option and a long call option having a lower and higher strike price respectively, the minimum margin required shall equal the strike price interval multiplied by the unit of trading. The market value of any premium credit carried on the short options may be used to reduce the minimum margin required.

Regulation 100.9(h)(i) – Amendment #3

(h) **Offset combinations involving index products**

(i) **Option spreads**

~~In addition to the option spreads permitted in Regulation 100.9(f), the following additional option spread strategies are available for positions in index options and index participation unit options:~~

~~(A) **Box spread**~~

~~Where a customer account contains one of the following box spread combinations:~~

~~– box spread involving index options; or~~

~~– box spread involving index participation unit options;~~

such that a customer holds a long and short call option and a long and short put option with the same expiry month and where the long call option and short put option, and short call option and long put option have the same strike price, the minimum margin required shall be the lesser of:

- (I) the greater of the margin requirements calculated for the component call and put spreads (Regulation 100.9(f)(i)); and
- (II) the greater of the out-of-the-money amounts calculated for the component call and put spreads.

(B) Long butterfly spread

Where a customer account contains one of the following butterfly spread combinations:

- long butterfly spread involving index options; or
- long butterfly spread involving index participation unit options;

such that a customer holds a short position in two call options (or put options) and the short call options (or short put options) are at a middle strike price and are flanked on either side by a long call option (or long put option) having a lower and higher strike price respectively, the minimum margin required shall be the net market value of the short and long call options (or put options).

(C) Short butterfly spread

Where a customer account contains one of the following butterfly spread combinations:

- short butterfly spread involving index options; or
- short butterfly spread involving index participation unit options;

such that a customer holds a long position in two call options (or put options) and the long call options (or long put options) are at a middle strike price and are flanked on either side by a short call option (or short put option) having a lower and higher strike price respectively, the minimum margin required shall be the amount, if any, by which the exercise value of the long call options (or long put options) exceeds the exercise value of the short call options (or short put options).

(iii) Index option and index participation unit option spread combinations

Regulation 100.10(f)(i) – Amendment #4

(f) Option spreads and combinations

(i) Call spreads and put spreads

Where a Member account contains one of the following spread pairings for the same underlying interest:

- long call option and short call option; or
- long put option and short put option;

the minimum capital required for the spread pairing shall be the lesser of:

- (A) the capital required on the short option pursuant to sub-paragraph 100.10(d)(i); or
- (B) the spread loss amount, if any, that would result if both options were exercised.

Regulation 100.10(f)(vi) – (xi) – Amendment #5

(vi) Box spread

Where a Member account contains ~~one of the following~~ a box spread combinations: on the same underlying interest with all options expiring at the same time,

- ~~- box spread involving index options; or~~
- ~~- box spread involving index participation unit options;~~

such that a Member holds a long and short call option and a long and short put option with the same expiry month and where the long call option and short put option, and short call option and long put option have the same strike price, the minimum capital required shall be the lesser of:

- (I) the difference, plus or minus, between the aggregate exercise value of the long call options and the aggregate exercise value of the long put options; and
- (II) the net market value of the options.

(vii) Long butterfly spread

Where a Member account contains ~~one of the following~~ a long butterfly spread combinations: on the same underlying interest with all options expiring at the same time,

- ~~- long butterfly spread involving index options; or~~
- ~~- long butterfly spread involving index participation unit options;~~

such that a Member holds a short position in two call options (or put options) and the short call options (or short put options) are at a middle strike price and are flanked on either side by a long call option (or long put option) having a lower and higher strike price respectively, the minimum capital required shall be the net market value of the short and long call options (or put options).

(viii) Short butterfly spread

Where a Member account contains ~~one of the following~~ a short butterfly spread combinations: on the same underlying interest with all options expiring at the same time,

- ~~- short butterfly spread involving index options; or~~
- ~~- short butterfly spread involving index participation unit options;~~

such that a Member holds a long position in two call options (or put options) and the long call options (or long put options) are at a middle strike price and are flanked on either side by a short call option (or short put option) having a lower and higher strike price respectively, the minimum capital required shall be the amount, if any, by which the exercise value of the long call options (or long put options) exceeds the exercise value of the short call options (or short put options). The market value of any premium credit carried on the short options may be used to reduce the capital required.

(ix) Long Condor Spread

Where a Member account contains a long condor spread combination on the same underlying interest with all options expiring at the same time, such that a Member holds four separate options series wherein the strike prices of the options are in ascending order and the interval between the strike prices is equal, comprising a short position in two call options (or put options) and the short call options (or short put options) are flanked on either side by a long call option (or long put option) having a lower and higher strike price respectively, the minimum capital required shall be the net market value of the short and long call options (or put options).

(x) Short Iron Butterfly Spread

Where a Member account contains a short iron butterfly spread combination on the same underlying interest with all options expiring at the same time, such that a Member holds four separate options series wherein the strike prices of the options are in ascending order, and the interval between the strike prices is equal, comprising short positions in a call option and a put option with the same strike price and the short options are flanked on either side by a long put option and a long call option having a lower and higher strike price respectively, the minimum capital required shall equal the strike price interval multiplied by the unit of trading. The market value of any premium credit carried on the short options may be used to reduce the minimum capital required.

(xi) **Short Iron Condor Spread**

Where a Member account contains a short iron condor spread combination on the same underlying interest with all options expiring at the same time, such that a Member holds four separate options series wherein the strike prices of the options are in ascending order, and the interval between the strike prices is equal, comprising short positions in a call option and a put option and the short options are flanked on either side by a long put option and a long call option having a lower and higher strike price respectively, the minimum capital required shall equal the strike price interval multiplied by the unit of trading. The market value of any premium credit carried on the short options may be used to reduce the minimum capital required.

Regulation 100.10(h)(i) – Amendment #6

(h) **Offset combinations involving index products**

(i) **Option spreads**

~~In addition to the option spreads permitted in Regulation 100.10(f), the following additional option spread strategies are available for positions in index options and index participation unit options:~~

(A) **Box spread**

~~Where a Member account contains one of the following box spread combinations:~~

- ~~- box spread involving index options; or~~
- ~~- box spread involving index participation unit options;~~

~~such that a Member holds a long and short call option and a long and short put option with the same expiry month and where the long call option and short put option, and short call option and long put option have the same strike price, the minimum capital required shall be the lesser of:~~

- ~~(I) the difference, plus or minus, between the aggregate exercise value of the long call options and the aggregate exercise value of the long put options; and~~
- ~~(II) the net market value of the options.~~

(B) **Long butterfly spread**

~~Where a Member account contains one of the following butterfly spread combinations:~~

- ~~- long butterfly spread involving index options; or~~
- ~~- long butterfly spread involving index participation unit options;~~

~~such that a Member holds a short position in two call options (or put options) and the short calls (or short puts) are at a middle strike price and are flanked on either side by a long call option (or long put option) having a lower and higher strike price respectively, the minimum capital required shall be the net market value of the short and long call options (or put options).~~

(C) **Short butterfly spread**

~~Where a Member account contains one of the following butterfly spread combinations:~~

- ~~- short butterfly spread involving index options; or~~
- ~~- short butterfly spread involving index participation unit options;~~

~~such that a Member holds a long position in two call options (or put options) and the long call options (or long put options) are at a middle strike price and are flanked on either side by a short call option (or short put option) having a lower and higher strike price respectively, the minimum capital required shall be the amount, if any, by which the exercise value of the long call options (or long put options) exceeds the exercise value of the short call options (or short put options).~~

(iii) **Index option and index participation unit option spread combinations**

13.1.3 IDA Regulations 100.4A, 100.4B, 100.4C, 100.4D, 100.4E and 100.4K – Extending Debt Offsets to Customer Positions

INVESTMENT DEALERS ASSOCIATION OF CANADA

**EXTENDING DEBT OFFSETS TO CUSTOMER POSITIONS
(REGULATIONS 100.4A, 100.4B, 100.4C, 100.4D, 100.4E AND 100.4K)**

I. OVERVIEW

The concept of allowing reduced margin for valid market risk reduction strategies is well established throughout the Association's capital and margin requirements, which are set out in Regulation 100. Most sections within Regulation 100 allow both customers and Member firms, with specific security and/or derivative combinations or offset strategies, to take advantage of reduced margin requirements. However, use of the currently permissible reduced margin offset strategies relating to debt is restricted to only Member firm positions and the rationale for this restriction has been recently questioned.

A. Current Rules

The debt offset sections in question are as follows:

- Regulation 100.4A – Governments, maturity over one year
- Regulation 100.4B – Governments, maturity within one year
- Regulation 100.4C – Debt securities
- Regulation 100.4D – Mortgage-backed securities
- Regulation 100.4E – Strip coupons or residuals
- Regulation 100.4K – Government of Canada bond futures contracts and security combinations

B. The Issue(s)

The main issue is that use of the above mentioned debt offsets regulations is restricted to only Member firm positions. The rationale for this restriction has been questioned as the concept of equally allowing reduced margin and capital requirements to both customers and member firms for valid market risk reduction strategies is well established throughout most margin regulations. For example, both customers and member firms are allowed to take advantage of reduced margin and capital requirements for specific offset positions involving equities, capital shares, convertible securities, exercisable securities, futures and option contracts.

It is believed that some of the debt offset regulations were created several years ago, when it was more difficult for customers to adequately monitor and manage their debt offsets. However, given the efficiency of today's capital markets, the sophistication of investors and the trading and monitoring infrastructure supporting them, there does not appear to be any unique reasons to continue restricting the use of the debt offset regulations to only Member firm positions.

The secondary issue is the differences between margin requirements for debt offsets between the IDA and the Bourse de Montréal ("Bourse"), as the Bourse allows customer debt offsets involving futures contracts and debt security combinations for margin purposes. It is important that this difference be eliminated to maintain regulatory consistency across market participants in the country.

C. Objective(s)

The objectives of the proposed rule changes are to allow customers to benefit from the reduced margin requirements for a number of debt offsets that are already available to Member firms and to eliminate the differences between IDA and Bourse margin regulations regarding customer positions in debt offsets.

D. Effect of Proposed Rules

The proposed rule changes are not expected to have any negative impact on market structure, members, non-members, customers, competition or costs of compliance. They are expected to be positive overall as customers would now have the ability to make more efficient use of their capital through lower margin requirements for their debt offset positions. Furthermore,

with the elimination of the margin difference for customer debt offsets between the two self-regulatory organizations compliance is expected to be more streamlined.

II. DETAILED ANALYSIS

A. Present Rules, Relevant History and Proposed Policy

As previously mentioned, the reduced margin requirements for debt offsets in Regulations 100.4A through E and 100.4K are only available to Member firm positions. Because of this restriction, customers are required to separately margin offsetting debt positions (long and short positions) although the combined positions represent valid market risk reduction strategies. Valid market risk reduction strategies normally benefit from lower margin requirements and are recognized throughout Regulation 100 and Form 1 for both customer and member firm positions for a large number for specific offset positions involving equities, capital shares, convertible securities, exercisable securities, futures, forwards and options (listed and over-the-counter).

The analysis conducted looked at why use of the debt offset regulations was restricted to member firms and whether the conditions that supported the restriction changed; would use of the debt offsets pose any unique risk issues in comparison to the other offsets that may be used by customers; and does the Bourse allow debt offsets to customers in determining margin and capital requirements for debt offsets.

The debt offset regulations were created several years ago, when it was more difficult for customers to adequately monitor and manage their debt offsets and the more recent debt offset regulation amendments did not evaluate the rationale for the usage restriction, and simply continued it to maintain consistency throughout the debt offset regulations. However, given the efficiency of today's capital markets, the sophistication of investors and the trading and monitoring infrastructure supporting them, we do not believe that there would be any significant difficulties with the monitoring and management of customer debt offsets.

Customers are currently allowed to take advantage of reduced margin requirements for their offsetting positions in equities; index baskets; index participation units; capital shares; convertible securities; exercisable securities (e.g. warrants and rights); commodity and financial futures and forward contracts; and listed and over-the-counter equity options, index options, index participation unit options and bond options. In comparison to these other offsetting positions, debt offsets are not expected to create any unique risk issues.

The Bourse allows offsets, which are referred to as combinations in determining margin and capital requirements in client and participant accounts. In particular, Bourse Rule 9323 (Futures Contracts and Security Combinations) allows customer debt offsets for the following debt securities and futures contracts combinations:

- (a) Bond futures contracts combinations with Group I securities (Government of Canada, United States, United Kingdom and other foreign national governments debt securities that are rated AAA);
- (b) Bond futures contracts combinations with Group II securities (Provinces of Canada and International Bank of Reconstruction and Development debt securities);
- (c) Bond futures contracts combinations with Group III securities (Municipal, school and hospital corporations and religious orders debt securities);
- (d) Bond futures contracts combinations with Group V securities (Corporations and trust and mortgage loan companies – non-negotiable and non-transferable securities);
- (e) Canadian banker's acceptance futures contracts combinations with banker's acceptance.

Rule 9323 is similar to Association Regulation 100.4K (Government of Canada Bond Futures Contracts and Security Combinations) except that it is for customers. This difference between the Bourse's Rule and the IDA's regulation is significant and has the potential to cause regulatory uncertainty for customers and member firms. Therefore, this difference should be eliminated to maintain regulatory consistency across markets and investors in the country.

The proposed rules would amend Regulations 100.4A (Governments, maturity over one year), 100.4B (Governments, maturity within one year), 100.4C (Debt securities), 100.4D (Mortgage-backed securities), 100.4E (Strip coupons or residuals) and 100.4K (Government of Canada bond futures contracts and security combinations) by adding the words "or a customer" immediately following the words "Where a Member" in order to extend the debt offset margin requirements to include customer positions.

B. Issues and Alternatives Considered

The alternative considered was to leave the current margin and capital requirements unchanged. This alternative was not chosen, because debt offsets are valid risk reduction strategies whether they are used by member firms or customers and there does not appear to be any significant difficulties posed with the management or monitoring of customer debt offset positions. In addition, it was considered important that there be regulatory consistency regarding margin and capital requirements between the Bourse and the IDA.

C. Comparison with Similar Provisions

U.S. securities industry rules, NASD Rule 2520 (Margin Requirements) and U.S. Securities Exchange Act of 1934 Section 3 (Definitions and Application of Title), allow customers to take advantage of reduced margin requirements for offsetting long and short positions in exchangeable or convertible securities; exempted securities, which include obligations of the U.S. government, states and municipal corporations, and highly rated foreign debt securities; and non-equity securities (investment grade debt securities and other marginable non-equity securities). For offsetting positions in exempted securities and non-equity securities the margin requirement is a percentage of the current market value of the net long or net short positions and the percentage can range from 1 percent to 20 percent depending on the particular security.

D. Systems Impact of Rule

The implementation of these proposed rule amendments will result in little or no systems impact as there are existing reduced margin calculations for other recognized customer offsets under IDA Regulation 100 and Bourse Rule 9323.

E. Best Interests of the Capital Markets

The Board has determined that this public interest rule is not detrimental to the best interests of the capital markets.

F. Public Interest Objective

According to 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 extending debt offsets to customer positions. The purposes of the proposal are to: "facilitate fair and open competition in securities transactions generally; and 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.

Because the proposed amendments recognize that these debt offsets are valid market risk reduction strategies in customer accounts, they have been determined to be in the public interest.

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, Newfoundland and Labrador, Nova Scotia and Saskatchewan.

B. Effectiveness

The proposed rules are expected to be effective as it would recognize debt offsets in customer accounts as valid market risk reduction strategies by reducing the margin and capital requirements for the offsetting debt positions. Furthermore, the proposed rules would eliminate the difference in customer margin requirements between the Bourse and the IDA for offsets involving futures contracts and debt security combinations.

C. Process

This proposal was developed and recommended for approval by the FAS Capital Formula Subcommittee, and reviewed and recommended for approval by the Financial Administrators Section.

IV. SOURCES

References:

- IDA Regulations 100.4A through K (Offsets)
- IDA Regulation 100.8 (Commodity Futures Contracts and Futures Contract Options)
- IDA Regulations 100.9 and 100.10 (Customer and Member positions in options, futures and other equity-related derivatives)
- IDA Regulation 100.11 (Over-the-Counter Options)
- Bourse de Montréal's Rule 9323 (Futures Contracts and Security Combinations)
- NASD Rule 2520 (Margin Requirements)
- U.S. Securities Exchange Act of 1934 Section 3 (Definitions and Application of Title)

V. OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying proposed 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 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 Answerd A. Ramcharan, Specialist, 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:

Answerd A. Ramcharan
Specialist, Regulatory Policy
Investment Dealers Association of Canada
(416) 943-5850
aramcharan@ida.ca

INVESTMENT DEALERS ASSOCIATION OF CANADA

**EXTENDING DEBT OFFSETS TO CUSTOMER POSITIONS
(REGULATIONS 100.4A, 100.4B, 100.4C, 100.4D, 100.4E AND 100.4K)**

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. Regulations 100.4A, 100.4B, 100.4C, 100.4D, 100.4E and 100.4K are amended by adding the following words immediately following the words "Where a Member":

"or a customer"

BE IT RESOLVED THAT the Board of Directors adopts, on this 27th day of September 2006 the English and French versions of these amendments. The Board of Directors also authorizes the Association Staff to make the minor changes that shall be required from time to time by the securities administrators with jurisdiction. These amendments shall take effect on the date determined by the Association Staff.

INVESTMENT DEALERS ASSOCIATION OF CANADA

**EXTENDING DEBT OFFSETS TO CUSTOMER POSITIONS
(REGULATIONS 100.4A, 100.4B, 100.4C, 100.4D, 100.4E AND 100.4K)**

BLACK LINE COPY

Offsets

100.4A. Governments, Maturity Over One Year

Where a Member or a customer

- (a) Owns securities described in clause (i) or (ii) of Regulation 100.2(a) of one maturity maturing over one year, and
- (b) Has a short position in securities
 - (i) Issued or guaranteed by the same issuer of the securities referred to in (a) (provided that for these purposes each of the provinces of Canada shall be regarded as the same issuer as any other province),
 - (ii) Maturing over one year,
 - (iii) Maturing within the same periods for the purpose of determining margin rates as the securities referred to in (a), and
 - (iv) With a market value equal to the securities referred to in (a) (with the intent that no offset shall be permitted in respect of the market value of a long (or short) position which is in excess of the market value of the short (or long) position.

The two positions may be offset and the required margin computed with respect to the net long or net short position only. This Regulation 100.4A also applies to future purchase and sales commitments.

100.4B. Governments, Maturity Within One Year

Where a Member or a customer

- (a) Owns securities described in clause (i) or (ii) of Regulation 100.2(a) maturing within one year, and
- (b) Has a short position in securities
 - (i) Issued or guaranteed by the same issuer of the securities referred to in (a) (provided that for these purposes each of the provinces of Canada shall be regarded as the same issuer as any other province),
 - (ii) Maturing within one year, and
 - (iii) With a market value equal to the securities referred to in (a) (with the intent that no offset shall be permitted in respect of the market value of a long (or short) position which is in excess of the market value of the short (or long) position

The margin required shall be the excess of the margin on the long (or short) position over the margin required on the short (or long) position. This Regulation 100.4B also applies to future purchase and sale commitments.

100.4C. Debt Securities

Where a Member or a customer has a short and long position in the following groups of securities (identified by reference to the paragraphs and clauses of Regulation 100.2) the total margin required in respect of both positions shall be the greater of the margin required on the long or short positions:

| Long (Short) | | Short (Long) |
|---|-----|--|
| (a) 100.2(a)(i) (U.S. Treasury only) | and | 100.2(a)(ii) (Province of Canada only) |
| (b) 100.2(a)(i) (Canada and U.S. Treasury only) | and | 100.2(a)(iii) (Canada municipal only) |
| (c) 100.2(a)(i) (Canada only) | and | 100.2(a)(i) (U.S. Treasury only) |
| (d) 100.2(a)(i) (Canada and U.S. Treasury only) | and | 100.2(a)(v) (corporate) |
| (e) 100.2(a)(ii) (Province of Canada only) | and | 100.2(a)(iii) (Canada municipal only) |
| (f) 100.2(a)(ii) (Province of Canada only) | and | 100.2(a)(v) (corporate) |
| (g) 100.2(a)(v) (corporate) | and | 100.2(a)(v) (corporate) of the same issuer |
| (h) 100.2(b) (Canadian chartered bank acceptances only) | and | BAX futures contract |

Where a Member or a customer has a short and long position in the following groups of securities (identified by reference to the paragraphs and clauses of Regulation 100.2) the total margin required in respect of both positions shall be 50% of the greater of the margin required on the long or short position:

| Long (Short) | | Short (Long) |
|--|-----|--|
| (i) 100.2(a)(i) (Canada only) | and | 100.2(a)(i) (Canada of different maturity bands) |
| (j) 100.2(a)(i) (Canada only) | and | 100.2(a)(ii) (Province of Canada of same or different maturity bands) |
| (k) 100.2(a)(ii) (Province of Canada only) | and | 100.2(a)(ii) (Province of Canada only of same or different maturity bands) |
| (l) 100.2(a)(i) (Canada only) | and | 100.2(a)(iii) (Canada municipal only) |
| (m) 100.2(a)(ii) (Province of Canada only) | and | 100.2(a)(iii) (Canada municipal only) |

provided the foregoing offset may only be determined on the basis that:

- (i) securities described in Regulation 100.2(a)(v) (corporate) and 100.2(b) (bank paper) will only be eligible for offset if they are not convertible and have a single A or higher rating by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record;
- (ii) securities in offsetting positions must be denominated in the same currency;
- (iii) securities offsets described in items (i) to (k) can be of different maturity bands, all other offsetting positions must mature within the same periods referred to in Regulation 100.2 for the purpose of determining margin rates; and
- (iv) the market value of the offsetting positions is equal and no offset shall be permitted in respect of the market value of the short (or long) position which is in excess of the market value of the long (or short) position; and
- (v) securities offsets described in items (l) and (m), Canada Municipal will only be eligible for offset if they have a long-term issuer credit rating of a single A or higher by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record.

For the purposes of this Regulation 100.4C, securities described in Regulation 100.2(b) (bank paper) are eligible for the same offsets set out above as securities described in Regulation 100.2(a)(v) (corporate).

For the purposes of this Regulation 100.4C, the term "BAX futures contracts" shall mean the three-month Canadian bankers acceptance futures contracts that trade on the Bourse de Montreal under the "BAX" trading symbol.

100.4D. Mortgage-Backed Securities

Where a Member or a customer holds a short (or long) position in bonds or debentures issued or guaranteed by the Government of Canada and also holds a long (or short) position in an instrument described in Regulation 100.2(h) guaranteed by the Government of Canada (a "mortgage-backed security"), the margin required shall be the excess of the margin required on the long (or short) position over the margin required on the short (or long) position, provided that the net margin may only be determined as aforesaid on the basis that:

- (a) Margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in mortgage-backed securities to the extent that the market value of the

two positions is equal, and no such netting or offset shall be permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position;

- (b) Margin required in respect of bonds or debentures may only be netted against the margin required for mortgage-backed securities which mature within the same period referred to in Regulation 100.2(a) for the purpose of determining margin rates;
- (c) Notwithstanding the foregoing, if the market value of a long (or short) position in mortgage-backed securities equals or exceeds the remaining principal amount of such position and the mortgages underlying such mortgage-backed securities position are subject to being repaid with or without penalty in full at the option of the mortgagee prior to maturity, the margin required shall be the greater of the margin as determined otherwise under Regulation 100.2 for (i) the long (or short) position in mortgage-backed securities or (ii) the short (or long) position in bonds or debentures.

100.4E. Strip Coupons or Residuals

Government Debt

Where a Member or a customer holds a short (or long) position in bonds or debentures denominated in Canadian dollars issued or guaranteed by either the Government of Canada or by a province of Canada and also holds a long (or short) position in the stripped coupon or residual portion of such debt instruments, the margin required shall be the excess of the margin required on the long (or short) position over the margin required on the short (or long) position, provided that the net margin may only be determined as aforesaid on the basis that:

- (a) Margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in stripped coupons or residuals to the extent that the market value of the two positions is equal, and no such netting or offset shall be permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position;
- (b) Margin required in respect of bonds or debentures issued or guaranteed by the Government of Canada may only be netted against the margin required for the stripped coupon or residual coupon of other Government of Canada instruments which mature within the same periods referred to in Regulation 100.2(a) for the purpose of determining margin rates; and
- (c) Margin required in respect of bonds or debentures issued or guaranteed by a province of Canada may only be netted against the margin required for the stripped coupon or residual portion of other province of Canada instruments which mature within the same periods referred to in Regulation 100.2(a) for the purpose of determining margin rates.

Notwithstanding the foregoing provisions of this Regulation 100.4E, where a Member or a customer holds:

- (i) A short (or long) position in bonds or debentures issued or guaranteed by the Government of Canada and a long (or short) position in the stripped or residual portion of bonds or debentures issued or guaranteed by a province of Canada, or
- (ii) A short (or long) position in bonds or debentures issued or guaranteed by a province of Canada and a long (or short) position in the stripped or residual portion of bonds or debentures issued or guaranteed by the Government of Canada,

The margin required shall be 50% of the total margin required for both positions otherwise determined under the Regulations, provided that such margin may only be determined as aforesaid on the basis that:

- (iii) Margin required in respect of a short (or long) position in bonds or debentures may only be netted against margin required in respect of a long (or short) position in stripped coupons or residuals to the extent that the market value of the two positions is equal, and no such netting or offset shall be permitted in respect of the market value of a short (or long) position which is in excess of the market value of the long (or short) position;
- (iv) Margin required in respect of bonds or debentures may only be netted against the margin required for the stripped coupon or residual coupon of instruments which mature within the same periods referred to in Regulation 100.2(a) for the purpose of determining margin rates.
- (v) The bonds and debentures and the stripped coupon or residual coupon of such debt instruments are both denominated in Canadian dollars."

100.4K. **Government of Canada Bond Futures Contracts and Security Combinations**

Where a Member or a customer holds offset positions in Government of Canada notional bond futures contracts (including future purchase and sale commitments) and securities, described in paragraphs (a) to (e), the margin requirement for both positions shall be as follows:

- (a) a long (or short) position in a Government of Canada notional bond futures contract and a short (or long) position in the securities described in Regulation 100.2(a)(i) Canada only and same maturity band, the two positions may be offset and the required margin computed in respect to the net long or net short position only.
- (b) a long (or short) position in a Government of Canada notional bond futures contract and a short (or long) position in the securities described in Regulation 100.2(a)(i) Canada only of different maturity bands, the two positions may be offset and the required margin shall be the 50% of the greater of the margin required on the long or short position.
- (c) a long (or short) position in a Government of Canada notional bond futures contract and a short (or long) position in the securities described in Regulation 100.2(a)(ii) Province of Canada only maturing within the same or different maturity band, the margin requirement in respect of both positions shall be 50% of the greater of the margin required on the long or short position.
- (d) a long (or short) position in a Government of Canada notional bond futures contract and a short (or long) position in the securities described in Regulation 100.2(a)(iii) Canada Municipal only maturing within the same maturity band, the margin requirement in respect of both positions shall be 50% of the greater of the margin required on the long or short position.
- (e) a long (or short) position in a Government of Canada notional bond futures contract and a short (or long) position in the securities described in Regulation 100.2(a)(v) Corporate maturing within the same maturity band, the margin requirement in respect of both positions shall be the greater of the margin required on the long or short position.

provided the foregoing offset may only be determined on the basis that:

- (i) securities in offsetting positions must be denominated in the same currency;
- (ii) securities described in Regulation 100.2(a)(iii) Canada Municipal will only be eligible for offset if they have a long-term issuer credit rating of a single A or higher by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record;
- (iii) securities described in Regulation 100.2(a)(iv) Corporate will only be eligible for offset if they are not convertible and have a single A or higher rating by any of Canadian Bond Rating Service, Dominion Bond Rating Service, Moody's Investors Service or Standard & Poor's Bond Record; and
- (iv) the market value of the offsetting positions is equal and no offset is permitted in respect of the market value of the short (or long) position which is in excess of the market value of the long (or short) position.

This page intentionally left blank

Chapter 25

Other Information

25.1 Consents

25.1.1 ROC Pref II Corp. - s. 4(b) of the Regulation

Headnote

Consent given to an offering corporation under the OBCA to continue under the BCBCA.

Statutes Cited

Business Corporations Act, R.S.O. 1990, c. B.16, as am.
Business Corporations Act, S.B.C. 2002, c. 57.
Securities Act, R.S.O. 1990, c. S.5., as am.

Regulation Cited

Regulation made under the Business Corporations Act,
Ont. Reg. 289/00, as am., s.4(b)

September 26, 2006

**IN THE MATTER OF
ONT. REG. 289/00 (THE "REGULATION")
MADE UNDER
THE BUSINESS CORPORATIONS ACT
R.S.O. 1990, c.B.16, AS AMENDED (THE "OBCA")**

AND

**IN THE MATTER OF
ROC PREF II CORP.**

**CONSENT
(Subsection 4(b) of the Regulation)**

UPON the application (the Application) of **ROC PREF II CORP.** (the Corporation) to the Ontario Securities Commission (the Commission) requesting the consent of the Commission to continue into another jurisdiction pursuant to Subsection 4(b) of the Regulation;

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

AND UPON the Corporation having represented to the Commission that:

1. the Corporation proposes to make application (the Application for Continuance) to the Director appointed under the OBCA for authorization to continue under the *Canada Business Corporations Act*, R.S.C. 1985, chapter C-44 (the CBCA), pursuant to section 181 of the OBCA;

2. pursuant to Subsection 4(b) of the Regulation, where the Corporation is an offering corporation, the Application for Continuance must be accompanied by the consent of the Commission;
3. the Corporation is an offering corporation under the OBCA and is a reporting issuer under the *Securities Act*, R.S.O. 1990, c. S. 5, as amended, (the Act);
4. the Corporation is not a defaulting reporting issuer under the Act or the Regulation thereunder and, to the best of its knowledge, information and belief, is not a party to any proceeding under the Act;
5. the continuance of the Corporation under the CBCA has been proposed because the Corporation believes it to be in the best interests of the Corporation;
6. the sole voting shareholder of the Corporation will approved the continuance under the CBCA by special resolution on September 1, 2006; and
7. the Corporation intends to continue to be a reporting issuer in the Province of Ontario.

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

THE COMMISSION HEREBY CONSENTS to the continuance of the Corporation under the CBCA.

"Robert L. Shirriff"

"Susan Wolburgh Jenah"

25.1.2 ROC Pref III Corp. - s. 4(b) of the Regulation

Headnote

Consent given to an offering corporation under the OBCA to continue under the BCBCA.

Statutes Cited

Business Corporations Act, R.S.O. 1990, c. B.16, as am.
Business Corporations Act, S.B.C. 2002, c. 57.
Securities Act, R.S.O. 1990, c. S.5., as am.

Regulation Cited

Regulation made under the Business Corporations Act, Ont. Reg. 289/00, as am., s.4(b)

September 26, 2006

**IN THE MATTER OF
ONT. REG. 289/00 (THE "REGULATION")
MADE UNDER
THE BUSINESS CORPORATIONS ACT
R.S.O. 1990, c.B.16, AS AMENDED (THE "OBCA")**

AND

**IN THE MATTER OF
ROC PREF III CORP.**

**CONSENT
(Subsection 4(b) of the Regulation)**

UPON the application (the Application) of **ROC PREF II CORP.** (the Corporation) to the Ontario Securities Commission (the Commission) requesting the consent of the Commission to continue into another jurisdiction pursuant to Subsection 4(b) of the Regulation;

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

AND UPON the Corporation having represented to the Commission that:

1. the Corporation proposes to make application (the Application for Continuance) to the Director appointed under the OBCA for authorization to continue under the *Canada Business Corporations Act*, R.S.C. 1985, chapter C-44 (the CBCA), pursuant to section 181 of the OBCA;
2. pursuant to Subsection 4(b) of the Regulation, where the Corporation is an offering corporation, the Application for Continuance must be accompanied by the consent of the Commission;
3. the Corporation is an offering corporation under the OBCA and is a reporting issuer under the *Securities Act*, R.S.O. 1990, c. S. 5, as amended, (the Act);
4. the Corporation is not a defaulting reporting issuer under the Act or the Regulation thereunder and, to the best of its knowledge, information and belief, is not a party to any proceeding under the Act;
5. the continuance of the Corporation under the CBCA has been proposed because the Corporation believes it to be in the best interests of the Corporation;
6. the sole voting shareholder of the Corporation will approved the continuance under the CBCA by special resolution on September 1, 2006; and
7. the Corporation intends to continue to be a reporting issuer in the Province of Ontario.

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

THE COMMISSION HEREBY CONSENTS to the continuance of the Corporation under the CBCA.

"Robert L. Shirriff"

"Susan Wolburgh Jenah"

Index

| | | |
|---|------|--|
| 724 Solutions Inc. | | |
| MRRS Decision..... | 8056 | |
| Order - s. 1(6) of the OBCA | 8061 | |
| Argus Corporation Limited | | |
| Cease Trading Order | 8065 | |
| Atlas Cold Storage Income Trust | | |
| Notice of Hearing - s. 127 | 8045 | |
| Notice of Hearing - s. 127 | 8046 | |
| Notice from the Office of the Secretary | 8053 | |
| Barrick Gold Corporation | | |
| Decision - s. 100(6) of the SA | 8057 | |
| BioEnvelop Technologies Corporation | | |
| Cease Trading Order | 8065 | |
| Blackrock (Institutional) Canada Ltd. | | |
| Change of Name | 8179 | |
| Deer Ridge Village Limited Partnership | | |
| Order - s. 144 | 8059 | |
| Diamond Fields International Ltd. | | |
| Cease Trading Order | 8065 | |
| Earnest Partners, LLC | | |
| New Registration..... | 8179 | |
| Everest Canadian Properties Company | | |
| Order - s. 144 | 8059 | |
| Fareport Capital Inc. | | |
| Cease Trading Order | 8065 | |
| Genova Private Management Inc. | | |
| New Registration..... | 8179 | |
| Hip Interactive Corp. | | |
| Cease Trading Order | 8065 | |
| HMZ Metals Inc. | | |
| Cease Trading Order | 8065 | |
| Hollinger Inc. | | |
| Cease Trading Order | 8065 | |
| IDA By-law Nos. 21 and 41 and Form 1 - Amendments to Reflect Changes to CIPF Oversight Role | | |
| SRO Notices and Disciplinary Proceedings | 8181 | |
| IDA Regulations 100.4A, 100.4B, 100.4C, 100.4D, 100.4E and 100.4K – Extending Debt Offsets to Customer Positions | | |
| SRO Notices and Disciplinary Proceedings | 8203 | |
| IDA Regulations 100.9 and 100.10 - Amendments to Recognize Three Complex Option Offset Strategies and to Expand the List of Available Option Spreads Involving Individual Equities | | |
| SRO Notices and Disciplinary Proceedings | 8190 | |
| Kefalas, Peter | | |
| Notice of Hearing - ss. 127, 127.1 | 8047 | |
| Notice from the Office of the Secretary | 8054 | |
| Mallory Capital Group, LLC | | |
| New Registration | 8179 | |
| Merrill Lynch Investment Managers (Institutional) Canada Ltd. | | |
| Change of Name | 8179 | |
| Neotel International Inc. | | |
| Cease Trading Order..... | 8065 | |
| Nickel Asia Corp. | | |
| Order | 8062 | |
| Norshield Asset Management (Canada) Ltd. | | |
| Notice of Hearing - ss. 127, 127.1 | 8047 | |
| Notice from the Office of the Secretary | 8054 | |
| Novelis Inc. | | |
| Cease Trading Order..... | 8065 | |
| Olympus United Group Inc. | | |
| Notice of Hearing - ss. 127, 127.1 | 8047 | |
| Notice from the Office of the Secretary | 8054 | |
| Pacrim International Capital Inc. | | |
| Cease Trading Order..... | 8065 | |
| Progressive Wealth Management | | |
| Change of Name | 8179 | |
| PWM Capital | | |
| Change of Name | 8179 | |
| Queen Financial Group Inc | | |
| New Registration | 8179 | |
| Retrocom Investment Management Inc. | | |
| Consent to Suspension (Rule 33-501 – <i>Surrender of Registration</i>)..... | 8179 | |
| ROC Pref II Corp. | | |
| Consent - s. 4(b) of the Regulation..... | 8213 | |
| ROC Pref III Corp. | | |
| Consent - s. 4(b) of the Regulation..... | 8214 | |

Index

Silver Heights Capital Management Inc.

New Registration..... 8179

Smith, Dale

Notice of Hearing - ss. 127, 127.1..... 8047

Notice from the Office of the Secretary 8054

Superior Plus Inc.

Order - s. 83..... 8055

Xanthoudakis, John

Notice of Hearing - ss. 127, 127.1..... 8047

Notice from the Office of the Secretary 8054