Issues in Focus

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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

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The Ontario Securities Commission

OSC Bulletin

October 27, 2006

Volume 29, Issue 43

(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)

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Notices / News Releases

1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

OCTOBER 27, 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

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- -

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Susan Wolburgh Jenah, Vice-Chair	—	SWJ
Paul K. Bates	—	PKB
Robert W. Davis, FCA	—	RWD
Harold P. Hands	—	HPH
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 30, 2006 10:00 a.m.	**Limelight Entertainment Inc., Carlos A. Da Silva, David C. Campbell, Jacob Moore and Joseph Daniels** s. 127 and 127.1 D. Ferris in attendance for Staff Panel: PMM/ST
November 6, 2006 10:00 a.m.	**Robert Patrick Zuk, Ivan Djordjevic, Matthew Noah Coleman, Dane Alan Walton, Derek Reid and Daniel David Danzig*** s. 127 J. Waechter in attendance for Staff Panel: TBA * October 3, 2006 – Notice of Withdrawal
November 8, 2006 10:00 a.m.	**Juniper Fund Management Corporation, Juniper Income Fund, Juniper Equity Growth Fund and Roy Brown (a.k.a. Roy Brown-Rodrigues)** s.127 and 127.1 D. Ferris in attendance for Staff Panel: SWJ/ST
November 21, 2006 10:00 a.m.	**First Global Ventures, S.A. and Allen Grossman** s. 127 D. Ferris in attendance for Staff Panel: PMM/ST
December 4, 2006 2:00 p.m.	**Euston Capital Corporation and George Schwartz** s. 127 Y. Chisholm in attendance for Staff Panel: WSW/ST

December 5, 6, & 7, 2006 10:00 a.m.	**Jose Castaneda** s. 127 and 127.1 P. Foy in attendance for Staff Panel: TBA
May 23, 2007 10:00 a.m.	**Eugene N. Melnyk, Roger D. Rowan, Watt Carmichael Inc., Harry J. Carmichael and G. Michael McKenney** s. 127 and 127.1 J. Superina in attendance for Staff Panel: TBA
October 12, 2007 10:00 a.m.	**Firestar Capital Management Corp., Kamposse Financial Corp., Firestar Investment Management Group, Michael Ciavarella and Michael Mitton** s. 127 H. Craig in attendance for Staff Panel: TBA
TBA	**Yama Abdullah Yaqeen** s. 8(2) J. Superina in attendance for Staff Panel: TBA
TBA	**Cornwall *et al*** s. 127 K. Manarin in attendance for Staff Panel: TBA
TBA	**John Illidge, Patricia McLean, David Cathcart, Stafford Kelley and Devendranauth Misir** S. 127 & 127.1 K. Manarin in attendance for Staff Panel: TBA
TBA	**Hollinger Inc., Conrad M. Black, F. David Radler, John A. Boultbee and Peter Y. Atkinson** s.127 J. Superina in attendance for Staff Panel: TBA
TBA	**Mega-C Power Corporation, Rene Pardo, Gary Usling, Lewis Taylor Sr., Lewis Taylor Jr., Jared Taylor, Colin Taylor and 1248136 Ontario Limited** S. 127 A. Sonnen in attendance for Staff Panel: TBA
TBA	**Bennett Environmental Inc.*, John Bennett, Richard Stern, Robert Griffiths and Allan Bulckaert*** S. 127 P. Foy in attendance for Staff Panel: TBA * settled June 20, 2006
TBA	**Momentas Corporation, Howard Rash, Alexander Funt, Suzanne Morrison* and Malcolm Rogers*** s. 127 and 127.1 P. Foy in attendance for Staff Panel: WSW/RWD/CSP * Settled April 4, 2006
TBA	**Norshield Asset Management (Canada) Ltd., Olympus United Group Inc., John Xanthoudakis, Dale Smith and Peter Kefalas** s.127 M. MacKewn in attendance for Staff Panel: WSW/DLK

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

1.1.2 Notice of Commission Approval – Material Amendments to CDS Rules Relating to Delivery Services

THE CANADIAN DEPOSITORY FOR SECURITIES LIMTIED

MATERIAL AMENDMENTS TO CDS RULES

DELIVERY SERVICES

NOTICE OF COMMISSION APPROVAL

In accordance with the Rule Protocol between the Ontario Securities Commission (Commission) and The Canadian Depository for Securities Limited (CDS), the Commission approved on October 20, 2006 the proposed rule amendments filed by CDS relating to delivery services. The proposed rule amendments and accompanying notice were published for comment in the Commission Bulletin on July 21, 2006, (2006) 29 OSCB 6103. Some nonmaterial changes have been made to the proposed rule amendments that were originally published, and a black-lined version highlighting the changes is being published in Chapter 13 of this Bulletin. A summary of the comments received and CDS's response is also published in Chapter 13.

1.1.3 CSA Staff Notice 21-305 - Extension of Approval of Information Processor for Corporate Fixed Income Securities

CANADIAN SECURITIES ADMINISTRATORS
STAFF NOTICE 21-305

EXTENSION OF APPROVAL
OF INFORMATION PROCESSOR
FOR CORPORATE FIXED INCOME SECURITIES

CanPX Inc. (CanPX) was approved as an information processor for corporate fixed income securities under National Instrument 21-101 *Marketplace Operation* (NI 21-101) until December 31, 2006.

On July 14, 2006, the Canadian Securities Administrators (CSA) published CSA Notice 21-304 *Request for Filing of Form 21-101F5 Initial Operation Report for Information Processor by Interested Information Processors*, informing the public of the current approval status of CanPX and of the opportunity for other entities to apply to be an information processor if they are positioned for the role. A number of applications have been received and are currently under review. The CSA will make a decision by April 30, 2007 regarding whether any entity has been accepted as an information processor.

CanPX made a request to extend its approval in order to provide more certainty for its future operations and to ensure a smooth transition to a new information processor, in case a new entity is selected to perform this role. For these reasons, CanPX's approval will be extended until December 31, 2007. This would also provide sufficient time for marketplaces, dealers and inter-dealer bond brokers subject to the requirements set out in NI 21-101 to establish the necessary connectivity to the system of the new information processor.

Questions may be referred to any of:

Randee Pavalow
Ontario Securities Commission
(416) 593-8257

Ruxandra Smith
Ontario Securities Commission
(416) 593-2317

Shaun Fluker
Alberta Securities Commission
(403) 297-3308

Serge Boisvert
Autorité des marchés financiers
(514) 395-0558 ext. 4358

Shamira Hussein
British Columbia Securities Commission
(604) 899-6815

Doug Brown
Manitoba Securities Commission
(204) 945-0605

October 27, 2006

1.1.4 OSC Staff Notice 51-706 - Corporate Finance Report (2006)

OSC STAFF NOTICE 51-706

CORPORATE FINANCE REPORT (2006)

Introduction

The Corporate Finance Branch (Corporate Finance or the Branch) of the Ontario Securities Commission is responsible for issuer regulation. Among other things, staff in Corporate Finance (we or staff) are responsible for overseeing offerings of securities through:

- reviewing prospectuses and rights offering documents
- analyzing applications for exemptive relief
- reviewing the ongoing dissemination of information by reporting issuers
- educating market participants on their disclosure obligations
- regulating transactions in the exempt market

The Branch also monitors compliance with securities laws relating to take-over bids and other mergers and acquisitions.

This report highlights our activities in the above areas and outlines issues that we consider to be of interest to issuers and their advisors. While the discussion about our risk-based reviews relates to our fiscal year ended March 31, 2006, the remainder of the report covers issues beyond that date.

A key theme underlying this report is transparency. This report summarizes the results of our prospectus and continuous disclosure reviews and provides insight into our approach on other Corporate Finance matters. For ease of reporting, our findings and recommendations are divided into the following six areas:

- risk-based reviews
- accounting and disclosure matters
- prospectus matters
- application matters
- insider reporting issues
- improvements in communication

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I. RISK-BASED REVIEWS

A. Types of reviews

We believe that a risk-based approach is the most efficient way to focus our resources. This is consistent with the approach taken by other securities regulators and has become fundamental to the way we operate.

We use various selection criteria to identify for review issuers whose disclosure is most likely to be materially improved or brought into compliance with securities laws or accounting standards as a result of staff review or issuers who may have a significant impact on the capital markets. Our criteria for identifying risk continue to evolve based on a variety of factors, including public prominence of disclosure requirements and consensus or controversy around accounting or disclosure practices.

An issuer's prospectus and continuous disclosure (CD) filings may be subject to full, issue-oriented, screening, targeted or basic reviews. Generally, the level of review is determined using a risk-based approach. The different types of reviews are discussed in more detail below. For more information, please refer to OSC Staff Notice 11-719 *A Risk-Based Approach for More Effective Regulation*.

(i) Full review

A full CD review consists of an examination of the issuer's disclosure record for at least the past year. This includes an issuer's financial disclosure (interim and annual financial statements and related management's discussion and analysis (MD&A)), as well as other types of corporate disclosure (annual information forms (AIFs), material change reports, information circulars, business acquisition reports and press releases). In addition to all regulatory filings, we may examine trading activity, industry data and analyst reports. These reviews usually involve correspondence with the issuer.

Full prospectus reviews involve a complete review of the prospectus and any documents incorporated by reference.

(ii) Issue-oriented review

This type of review focuses on a specific legal, accounting or other regulatory issue.

(iii) Screening review (CD)

We screen prospectuses to determine whether a full, issue-oriented or basic review is most appropriate. We carry out CD screening reviews to determine whether an issuer's CD record warrants further scrutiny through either a full or issue-oriented review. Screening reviews involve examining an issuer's disclosure record for the past year and do not usually result in any correspondence with the issuer.

(iv) Targeted review

This is a review of a sample of issuers. A targeted review will generally relate to a particular industry, or result from policy developments or changes in accounting standards.

(v) Basic review (Prospectus)

A basic review is largely limited to an administrative processing of the file.

B. Evolution of our risk based approach - industry specialization

In the spring, we reorganized our Corporate Finance accounting resources into industry-specific groups. As a result, we have begun to perform CD reviews on a more specialized basis and are gaining a greater understanding of industry-specific issues.

To date, we have established specialized industry groups in the following areas:

- bio-technology
- entertainment and communications
- financial services
- hospitality and healthcare

- insurance
- manufacturing
- mining
- real estate
- retail and other services
- technology
- transportation

We have also created groups that focus on the income trust sector and on issues relevant to smaller-sized issuers.

A key element to our industry specialization strategy is establishing open communication channels with relevant industry associations, organizations and groups. *We encourage these groups to contact us any time to discuss potentially relevant issues.*

The following are examples of recent industry-specific activities:

- *Insurance.* We began a targeted review of issuers in the insurance industry, addressing both life insurance, and property and casualty insurance segments. One element of our review focuses on transparency in company disclosure. The accounting used by insurance companies can be quite complex and many of the assumptions in the financial statements are based on actuarial assumptions about the future.

- *Real estate.* To gain a greater understanding of the accounting and practical issues faced by the real estate sector, we have been consulting with staff at the Real Property Association of Canada (REALPac), the successor to the Canadian Institute of Public and Private Real Estate Companies. REALPac members include some of the larger real estate reporting issuers in the Canadian marketplace.

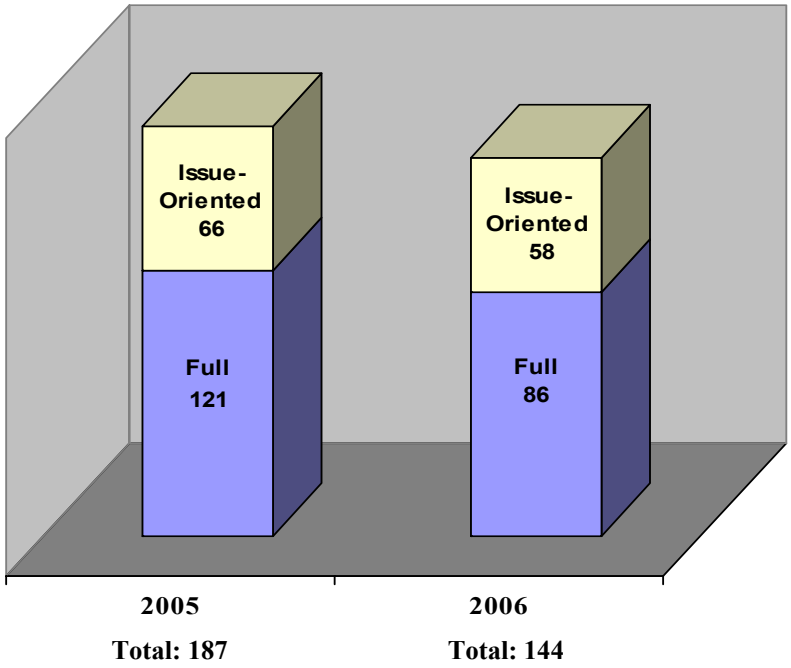
As part of its mandate, REALPac prepares and publishes guidance on accounting matters that affect the real estate industry. By maintaining an open dialogue with REALPac, we can ensure that issues and concerns specific to this sector are identified and addressed at an early stage.

C. Types of reviews completed

The graphs below illustrate the full and issue-oriented reviews we conducted for the year ending March 31, 2006.

(i) Prospectus reviews

Prospectus reviews

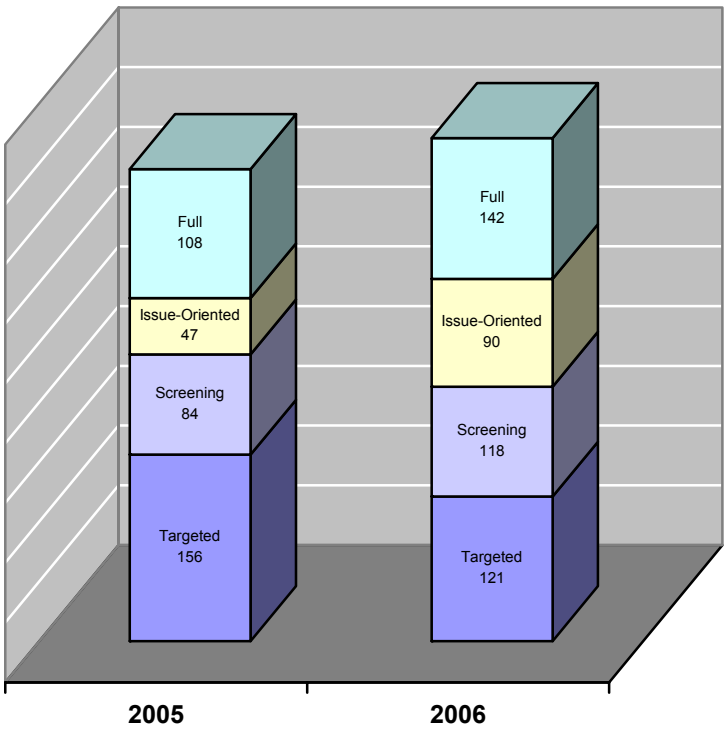


In fiscal 2006, we completed 144 full and issue-oriented reviews of prospectuses and rights offering documents, which is lower than fiscal 2005. Approximately 45% of the prospectuses we reviewed in fiscal 2006 were long form and 52% were short form. In fiscal 2005, approximately 54% were long form and 38% were short form.

The increase in our review of short form offerings was partly due to recently implemented changes in National Instrument 44-101 *Short Form Prospectus Distributions* (NI 44-101). Effective December 30, 2005, the qualification criteria for issuers that are permitted to use the short form regime changed resulting in an increased number of reporting issuers using the short form system.

(ii) Continuous disclosure reviews

Continuous disclosure reviews



We completed 471 CD reviews in 2006, up 19% from the previous year. Sixty-two per cent of the CD reviews related to issuers listed on the Toronto Stock Exchange (TSX) and 26% related to issuers listed on the TSX Venture Exchange. The remaining 12% related to issuers with securities listed over-the-counter or on other trading forums.

We completed a substantial number of targeted reviews in 2006. These reviews tended to focus on a specific industry or were initiated as a result of recently implemented rules or policies. The targeted reviews focused on the following areas:

- We reviewed the filings of 95 issuers across the country to assess compliance with the audit committee composition requirements and responsibilities set out in Multilateral Instrument 52-110 *Audit Committees*. We found the level of compliance with these provisions of the Instrument to be unacceptable. See Canadian Securities Administrators (CSA) Staff Notice 52-312 *Audit Committee Compliance Review* for details.

- We reviewed the filings of 47 issuers to assess compliance with the requirement to file a technical report triggered by the filing of a news release or a directors' circular pursuant to subsection 4.2(j) of National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (NI 43-101). More specifically, subsection 4.2(j) requires the filing of a technical report if a news release or directors' circular contains:

  - first time disclosure of a preliminary assessment, mineral resources or mineral reserves on a property material to the issuer that constitutes a material change, or

  - disclosure of a change in the preliminary assessment, in mineral resources or mineral reserves from the most recently filed technical report that constitutes a material change.

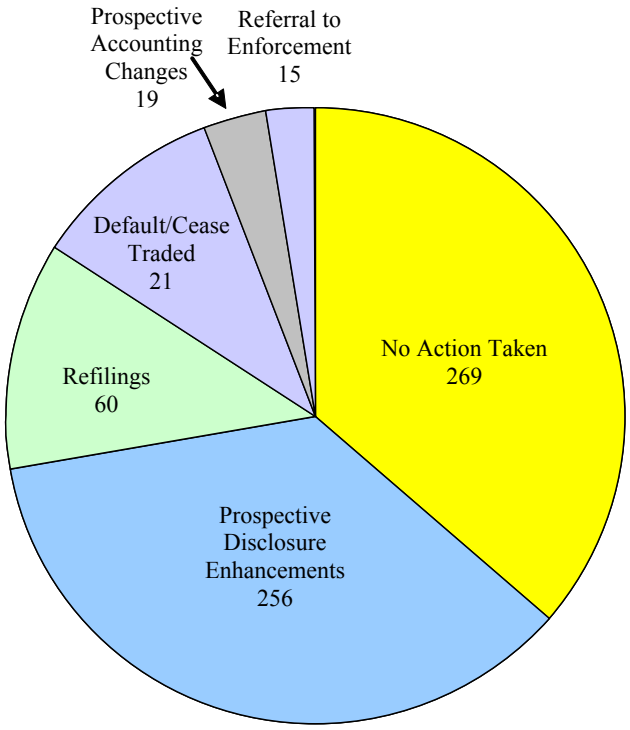
  Seventy-five per cent of the issuers we reviewed were in compliance. For the remaining 25%, we conducted a full CD review, required the filing of a technical report or ensured that these issuers committed to changes in future filings.

- We initiated a review to assess compliance with Accounting Guideline 15 Consolidation of Variable Interest Entities (AcG-15). Based on our review, we found compliance in this area to be adequate. See the variable interest entity review section of the report for more details.

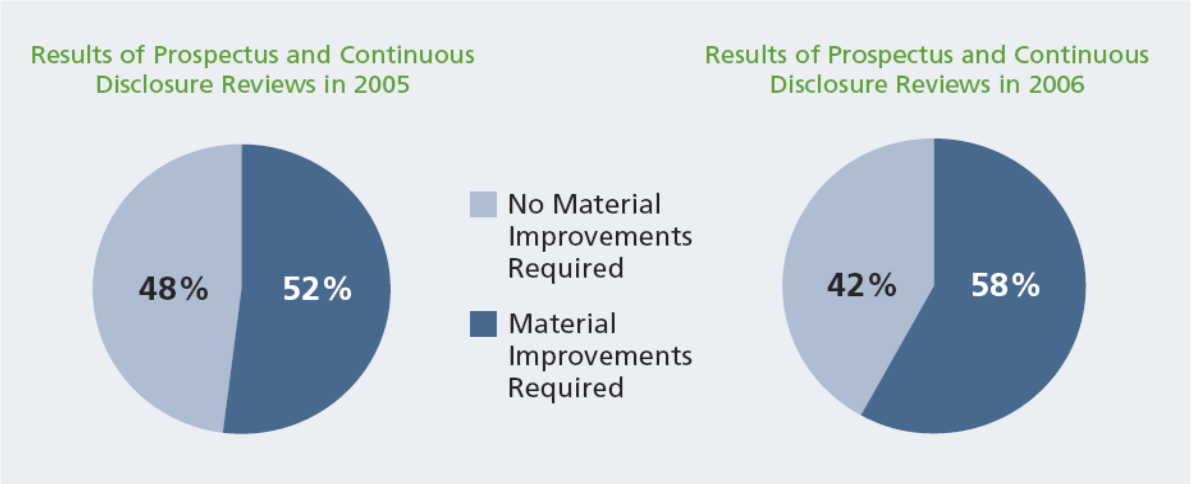
D. Summary of review results

The chart below illustrates the outcomes of our reviews. More than one outcome can be associated with a particular file.

Outcomes of prospectus and continuous disclosure reviews



Total outcomes: 640



(i) Refilings

Issuers that fail to comply with CD requirements may be required to amend and refile documents that have been previously filed with the Commission (a refiling). Refilings generally result from significant financial statement deficiencies or a clear lack of compliance with securities laws. Our reviews resulted in approximately 60 refilings in fiscal 2006. The names of issuers that refile are placed on the Refilings and Errors list for a three-year period. Please refer to OSC Staff Notice 51-711 *Refilings and Corrections of Errors* for more information on our expectations on refilings.

Most of the refilings related to the following:

- Management's Discussion and Analysis – The MD&A continues to be an area of weakness with approximately half of the refilings related to MD&A deficiencies. We discuss MD&A issues in greater detail in the accounting and disclosure matters section of this report.

- Accounting changes – We also requested refilings to correct measurement or significant financial statement disclosure errors that resulted from non-compliance with the Canadian Institute of Chartered Accountants Handbook (CICA HB).

- Auditor oversight – Approximately 10% of refilings were made to comply with National Instrument 52-108 *Auditor Oversight*. Most of the issuers in this category were smaller companies that had engaged an auditor not registered with the Canadian Public Accountability Board.

(ii) Prospective disclosure enhancements

The outcomes in this category related to a variety of financial statement and other disclosure concerns, including insider reporting. Some areas where we have requested disclosure enhancements are:

- Segmented information – enhanced note disclosures of revenue from external customers and capital assets attributed to the issuer's country of domicile

- Business acquisition note – further details of assets and liabilities related to an acquisition as required by CICA HB 1581

- Pension plan disclosures – further details of actuarial valuation and investment asset categories

We also asked insiders to:

- create and update information on the System for Electronic Disclosure by Insiders (SEDI) if they had not yet set up a profile

- update information on balances to reflect recent transactions

(iii) Prospective accounting changes

The outcomes in this category related to changes to the issuer's financial statements that did not result in a refiling, but were corrected in the issuer's next periodic filing.

(iv) Referral to Enforcement

We referred a number of files to the Enforcement Branch.

(v) Default or cease traded

This category represents issuers that were found to be in default or were cease traded as a result of our reviews. This outcome generally arises if an issuer cannot adequately address the major deficiencies discovered during our review process.

II. ACCOUNTING AND DISCLOSURE MATTERS

The following highlights some of the significant accounting and general disclosure issues we found in prospectus and CD reviews.

A. Disclosure of accounting policies

We found that many issuers did not provide satisfactory accounting policy disclosure, particularly with respect to revenue recognition. Several of the disclosure requirements outlined in the Emerging Issues Committee Abstract (EIC) 141 *Revenue Recognition* were not adequately met. For example, some issuers did not disclose their separate accounting policies for each of their revenue arrangements. In addition, CICA HB 1505 *Disclosure of Accounting Policies* requires that an enterprise provide a clear and concise description of its significant accounting policies. We asked many issuers to revise or enhance disclosure of certain policies to provide greater clarity to the financial statement user.

We will continue to focus on adequate disclosure of accounting policies and to ensure that issuers' accounting policies comply with Generally Accepted Accounting Principles (GAAP).

B. Revenue recognition

We raised various questions on practices when it appeared that revenue resulted from the delivery or performance of multiple products or services. EIC-142 *Revenue Arrangements with Multiple Deliverables* (EIC-142) contains guidance on how to determine whether an arrangement consists of more than one unit of accounting and how to account for the multiple deliverables in these revenue arrangements.

Issuers should carefully consider each component of bundled arrangements to ensure separate elements are accounted for individually. Examples include:

- software that has stand alone value when packaged together with non-software elements
- installation and maintenance services that have stand alone value when packaged together with equipment sales

Issuers should also carefully review complex contracts for multiple deliverables because this could affect the timing of revenue recognition. It is also equally important that these deliverables meet the criteria specified in EIC-142 to qualify as separate units of accounting. In certain cases, we may raise questions on how an issuer concluded under EIC-142 that:

- the items delivered in an arrangement have value to its customers on a stand alone basis
- there is objective evidence for the fair value of the undelivered items in an arrangement

Issuers must also consider the impact of other primary sources of GAAP with a higher level of authority than EIC-142 when determining how to account for arrangements with multiple deliverables. For example, the appendix to EIC-142 explains the application of this abstract when a primary source of GAAP, such CICA 3065 *Leases* or AcG-12 *Transfers of Receivables*, applies to multiple deliverable arrangements.

When using the percentage-of-completion method for revenue recognition, issuers should ensure that they have a sufficient basis to reasonably estimate the costs and degree of completion. If issuers cannot estimate costs associated with providing future services (e.g., software upgrades that are part of long-term contracts), the percentage-of-completion method may not be appropriate and issuers may have to use the completed contract method for revenue recognition.

C. Variable interest entity review

In June 2003, the Canadian Institute of Chartered Accountants (CICA) issued AcG-15, which applies when an entity is subject to control on a basis other than ownership of voting interest. AcG-15 is effective for annual and interim periods beginning on or after November 1, 2004. A variable interest entity (VIE) is essentially an entity that does not have sufficient equity at risk to finance its activities without financial support. AcG-15 requires that an issuer consolidate a VIE when it has a contractual, ownership or other pecuniary interest that will absorb a majority of the VIE's expected losses or receive a majority of the VIE's expected residual returns.

We completed a targeted review of selected issuers to assess compliance with AcG-15. We focused on industries where issuers are more likely to have an interest that may require consolidation and reviewed the financial statements of each issuer to gain an understanding of whether and how the guideline was applied. As part of our review, we raised comments asking issuers for a detailed description of the process undertaken to identify any potential variable interests, as well as an analysis to support their decision. We also requested information about the types of controls issuers had in place to ensure that all variable interests were correctly identified. Based on the responses we received and our review of the analysis provided, we found that compliance with AcG-15 was adequate.

D. Goodwill and other intangible assets

We continued to pay particular attention to goodwill impairment issues during our prospectus and CD reviews. In several instances, issuers did not recognize an impairment of goodwill despite potential indicators such as:

- a history of losses
- a significant decline in revenue or net earnings
- a reduction or cancellation of distributions
- payments of distributions in excess of cash flows from operations

In several cases, the issuer wrote down goodwill as a result of our review. In two cases, the write down followed an external valuation.

We remind issuers and their advisors to follow the guidance in CICA HB 3062 *Goodwill and Other Intangible Assets*. In performing their goodwill impairment assessment, many issuers use a valuation technique based on multiple of earnings, multiple of revenue or a similar performance measure regardless of whether this technique is appropriate in their particular situation. A valuation technique based on multiples is not appropriate when the operations or activities of an enterprise are not comparable in nature, scope or size to the business unit for which fair value is estimated.

We continue to encounter instances where a significant portion of the purchase price of an acquisition is allocated to goodwill. We pay particular attention to whether all acquired intangible assets have been appropriately identified and assigned a useful life as required by CICA HB 1581 *Business Combinations*, as well as whether the valuation of the acquisition was appropriately done. For example, in one case the issuer included the value of a customer list with goodwill. Based on our comments, the issuer refiled its financial statements and presented the customer list as an intangible asset.

We have noted a greater instance of issuers using external valuators to provide valuations. We encourage issuers to continue to do so as this provides additional support and objective evidence, reducing the number of restatements.

We also asked many issuers to justify the useful life of their intangible assets, particularly when the amortization period was long or when intangible assets were considered to have indefinite lives.

E. Related party transactions

CICA HB 3840 *Related Party Transactions* addresses the measurement and disclosure of related party transactions. We commented on both aspects of these requirements in our reviews.

(i) Measurement

When issuers recorded related party transactions at the exchange amount (i.e., the amount of consideration paid or received as established and agreed to by the related parties), we asked issuers to explain how the accounting treatment is supported. The two situations where we commented on the exchange amount treatment are:

- *Transactions in the "normal course".* In certain situations, GAAP permits valuing the related party transaction at the exchange amount when the transaction has commercial substance and is in the normal course of operations. We have raised questions when it appears that the transaction is not regularly undertaken by the issuer for the purpose of generating revenue. Issuers should also be prepared to respond to questions on whether the transaction has commercial substance.

- *Transactions not in the "normal course".* GAAP permits valuing these related party transactions at the exchange amount when the transaction has commercial substance, when the change in ownership is substantive and when the exchange amount is supported by independent evidence. We have asked issuers about the independent evidence to support a transaction's exchange amount. If we believe that a transaction lacks external support, we may ask the issuer to restate and refile its financial statements and related MD&A to reflect the transaction at its carrying value.

(ii) Disclosure

We identified deficiencies in related party transaction disclosure that resulted in commitments by issuers to enhance future filings. We noted inadequate or cursory financial statement disclosure about the relationship between the parties along with the absence of substantive disclosure in the MD&A about the transaction and the business purpose behind the transaction. As well,

some issuers did not provide sufficient disclosure of the measurement basis they used and, in particular, information about the exchange amount when the transaction was not in the normal course.

For example, disclosure that indicates "The related party transaction was measured at the exchange amount, which is the amount of consideration as established and agreed to by the related parties" is, by itself, not helpful to a reader trying to understand the economic substance of the transaction.

F. Accounting for modifications to stock option plans

We have encountered situations where issuers have changed the terms of their stock option plans, but have not adequately assessed if the changes represent a modification under CICA HB 3870 *Stock-based Compensation and Other Stock-based Payments* and if so, whether the modification should result in an incremental expense being recorded. Issuers should determine whether these changes represent equity restructurings (i.e., modifications that may require recognition of an incremental expense), or if the changes in terms are in accordance with anti-dilution provisions which are designed to equalize an option's value after an equity restructuring (i.e., not a modification). Issuers should also compare the fair values of the modified option awards to the original option awards immediately before modification to determine whether an incremental expense should be recorded.

G. Future income tax assets

CICA HB 3465 *Income Taxes* requires future income tax assets to be recognized for unused tax losses, among other things. It also requires that these assets be limited to the amount that is "more likely than not" to be realized and that the future realization of the tax benefit of an unused loss depends on the existence of sufficient taxable income.

Staff have raised comments when future tax assets have been recognized and it appears that an insufficient valuation allowance has been provided for. In determining an appropriate valuation allowance, issuers must carefully consider the indicators that are outlined in CICA HB paragraphs 3465.27 – 3465.30, which include a history of tax losses. Issuers should be prepared to explain why a valuation allowance is sufficient when tax losses continue and a future tax asset remains on the balance sheet.

We may also question issuers who have provided significant or full valuation allowances against future tax assets when there does not appear to be sufficient unfavourable evidence to support the full extent of the valuation allowance. For example, a premature write down of a tax asset during a year that an issuer incurs a one-off operating loss may unnecessarily increase a GAAP loss in a bad year and may result in inappropriate income effects in subsequently profitable years as a result of tax asset increases.

H. Relevance of U.S. GAAP and IFRS for Canadian GAAP issuers

Given the extensive amount of interpretative guidance that exists under U.S. GAAP, information can often be found on a particular accounting topic through a U.S. GAAP interpretation (such as an *Emerging Issues Task Force Abstract*), where none exists under Canadian GAAP. Therefore, in the past, we have commented on the relevance and the applicability of U.S. GAAP for reporting issuers that prepare financial statements solely in accordance with Canadian GAAP.

Accounting issues that public companies face may not always be directly addressed by CICA recommendations, and may require the application of professional judgment. When issuers are faced with these types of accounting concerns, we expect them to arrive at a conclusion that is supported by the intent of the relevant Canadian GAAP standards and that is consistent with CICA HB 1000 *Financial Statement Concepts*, and CICA HB 1100 *Generally Accepted Accounting Principles*.

When exercising professional judgment to determine an accounting solution in an area of Canadian GAAP that has been harmonized with either U.S. GAAP or International Financial Reporting Standards (IFRS), an appropriate examination of the issue should involve a review of interpretations and pronouncements contained in the harmonized standards of U.S. GAAP or IFRS. CICA HB 1100 indicates that pronouncements issued by bodies authorized to issue accounting standards in other jurisdictions may be useful sources to consult. We remind issuers that an interpretation should not be followed if it is derived from non-Canadian GAAP sources that are inconsistent with primary Canadian GAAP and the concepts contained in CICA HB 1000.

To illustrate, Statement of Position 93-7 *Reporting on Advertising Costs* issued by the American Institute of Certified Public Accountants requires deferral of direct-response advertising expenditures, which results in the creation of an asset as opposed to expensing the amount immediately. While this accounting treatment may be acceptable under U.S. GAAP, it is inconsistent with the basic principles contained within Canadian GAAP. Except during the pre-operating period described in EIC-27 *Revenues and Expenditures in the Pre-operating Period*, the principles in CICA HB 1000 effectively preclude the capitalization of any advertising expenditures under Canadian GAAP.

I. Non-GAAP financial measures

CSA Staff Notice 52-306 *Non-GAAP Financial Measures* (SN 52-306) provides guidance to issuers that disclose financial measures other than those prescribed by GAAP. Based on our reviews, we identified the following:

- *Failure to identify a non-GAAP financial measure.* While issuers often identify EBITDA, operating earnings and distributable cash as a non-GAAP financial measure, we found that they did not consider the guidelines of SN 52-306 when disclosing other calculations that differ from amounts in the GAAP financial statements. These calculations are often specific to an issuer's industry and have included items such as "imputed revenues", "field margins", "net debt", "initial fees" (a specific component of revenue) and "underwritten net operating income". Although a particular calculation may be a common industry term, we remind issuers to consider SN 52-306 when presenting numerical measures that are not prescribed by GAAP.

- *Failure to provide equal prominence of GAAP measures.* We continue to see the most directly comparable GAAP measure displayed with less prominence than the non-GAAP measure. We have requested that issuers restate and refile disclosure documents when they have provided non-GAAP financial information that we believe is misleading.

- *Failure to explain why the non-GAAP measure is meaningful for investors.* Although disclosure in this area is improving, we continue to raise comments when issuers fail to provide this disclosure or when they provide boiler-plate disclosure about why non-GAAP measures are presented. After raising this comment, we have observed that some issuers discontinued the practice of providing the non-GAAP measure because they could not determine its usefulness and relevance.

We will continue to raise concerns about non-GAAP financial measures as a routine part of our reviews. We will require issuers to refile disclosure documents when we consider disclosures to be misleading to the public.

J. MD&A

Our aim in reviewing MD&A is to ensure that it meets the objective of improving the overall financial disclosure of an issuer by providing a balanced discussion of operations and financial condition. During the year, MD&A deficiencies resulted in 32 refilings and 75 commitments from issuers to provide prospective changes. We have also noted that financial statement deficiencies frequently lead to deficiencies in the MD&A. We continue to encounter the following major deficiencies in interim and annual MD&A filings:

(i) *Liquidity.* Many issuers do not provide a meaningful discussion of liquidity. We continue to see instances where issuers indicate that they have adequate working capital without specifically explaining what their working capital requirements are. In many instances, the MD&A also does not contain a detailed and quantified discussion of capital resources needed to achieve the issuer's ongoing business objectives or any analysis of cash flows.

We remind issuers that an analysis of liquidity should include a discussion of:

- the issuer's ability to generate sufficient amounts of cash and cash equivalents to meet capacity or fund growth
- trends or expected fluctuations in liquidity, taking into account demands, commitments, events or uncertainties
- working capital requirements
- the issuer's ability to meet obligations as they become due when an issuer has or expects to have a working capital deficiency
- the balance sheet conditions, income or cash flow items that may affect liquidity
- impact arising from any legal or practical restrictions on the ability of a subsidiary to transfer funds to the issuer
- defaults, arrears or anticipated defaults

(ii) *Lack of meaningful discussion.* Some issuers repeated financial statement disclosure in the operational and liquidity discussion without providing any additional information or analysis.

(iii) *Lack of quantitative information.* Some issuers did not provide a quantified discussion of the various factors that led to increases or decreases in revenue or expenses. For example, it is inadequate to indicate that certain line items have increased without also disclosing the amount of the increase and the reason for the increase.

(iv) *Lack of conclusion on the effectiveness of disclosure controls and procedures.* Some issuers failed to include their certifying officers' conclusions about the effectiveness of disclosure controls and procedures, as represented in the modified or annual certificates or full annual certificates. See CSA Staff Notice 52-315 *Certification Compliance Review* for details.

K. Executive compensation disclosure

For some time now, we have found that the requirements in Form 51-102F6 *Statement of Executive Compensation* (51-102F6) do not always adequately capture all material executive compensation information for named executive officers. As a best practice, a number of issuers have started to provide information that goes beyond the specific disclosure requirements of 51-102F6.

For example, in several instances, issuers have provided one total compensation number (reflecting both cash and other forms of compensation) for CEOs in addition to the other information required by 51-102F6. Providing one total compensation number along with numerous other supporting details will be a requirement for all U.S. issuers under the recently finalized Securities and Exchange Commission (SEC) Rule. The existing 51-102F6 requirements are also being considered for revision.

We believe that supplementary information is valuable to investors. Until the revised requirements are in place, we encourage issuers to provide supplementary disclosure and to fully disclose the key assumptions used in compiling this information or a cross-reference to where the assumptions are disclosed.

We have encountered some common compensation practices that are not specifically or comprehensively addressed in 51-102F6. As a result, different issuers may treat them in different ways. These include:

- *Performance-based share units.* The initial grant may or may not be reflected in the summary compensation table, and the ultimate payout may or may not be specifically disclosed.
- *"Top hat" pensions.* In these arrangements, the years credited against an executive for calculating his or her pension entitlement exceed those actually worked without an explanation of why this was done.
- *Payments on termination or change of control.* All the situations in which payments may be triggered are not being disclosed.

We remind issuers that the broader purpose of 51-102F6 requires an explanation of where and how these types of practices are disclosed, including major assumptions used, whether or not 51-102F6 specifies all these details. We approach non-compliance with the substantive requirements of the form in the same way that we approach other material disclosure deficiencies. This may include requesting that deficient disclosure be amended and refiled.

L. Income trusts

During fiscal 2006, the income trust structure continued to be a preferred vehicle for a diverse range of businesses completing their initial public offerings. As a result, income trusts comprised many of our prospectus reviews. Some of the more significant issues we identified are highlighted in CSA Staff Notice 51-319 *Report of Staff's Continuous Disclosure Review of Income Trust Issuers*.

M. Errors and restatements

On occasion, we are approached by issuers who have detected errors and misstatements in their current or historical financial statements. In these situations, we work with issuers to understand the impact of the errors and the process management followed to uncover these errors. We are concerned not only about correcting the errors and misstatements, but also about learning how management intends to ensure that material errors do not recur.

While issuers are working to correct their financial statements, we expect them to provide staff with regular updates on their progress. These updates should include information about the corrections and the implementation of appropriate financial controls and procedures.

We remind issuers that in instances where financial statement errors are corrected and revised statements are filed, issuers must also refile their certificates pursuant to Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*.

III. PROSPECTUS MATTERS

A. Timing on short form prospectus distributions

NI 44-101 was amended, effective December 30, 2005, to significantly expand the class of issuers that are eligible to file a short form prospectus. As a result, many issuers that historically have filed "long form" prospectuses, i.e., a prospectus in the form of Form 41-501F1, may now file a short form prospectus. These issuers may have an expectation that the prospectus will be reviewed in accordance with time periods traditionally associated with short form prospectus filings.

We would like to remind issuers and other market participants that short form eligibility under NI 44-101 is premised on the issuer having filed all periodic and timely disclosure documents that it is required to have filed.

We have recently noted a number of situations where this has not been the case, resulting in delays in the offering process. Examples of these situations include, among others:

- a failure to file, or a substantively deficient filing of, a technical report required under NI 43-101
- a failure to file or incorporate by reference, or a substantively deficient filing of, a business acquisition report required under NI 51-102 *Continuous Disclosure Obligations*
- a failure to include disclosure in the issuer's annual MD&A about the certifying officers' conclusions on the effectiveness of disclosure controls and procedures, as represented in Form 52-109F1 *Certification of Annual Filings*.

We have also seen a number of situations where an issuer has filed a short form prospectus to finance a material undertaking or significant transaction that would constitute a material departure from the business or operations as of the date of the issuer's current annual financial statements and current AIF. In these cases, the issuer's short form prospectus often includes or incorporates by reference a significant amount of new disclosure not previously filed, including new technical reports and acquired company information.

While staff uses its best efforts to review materials relating to a preliminary short form prospectus and issue a comment letter within the three-day review period contemplated by NP 43-201 *Mutual Reliance Review System for Prospectuses and Annual Information Forms* (NP 43-201), in some cases, this may not be possible.

We remind issuers that, in accordance with subsection 5.3(2) of NP 43-201, Staff may apply long form timing where a proposed distribution by way of short form prospectus is too complex to be reviewed adequately within the short form prospectus time periods. This may occur in the following situations, among others:

- The issuer is proposing or has recently completed a significant acquisition of an issuer or business or property and the issuer is filing a significant amount of new material at the time of filing. The acquired company in this case is often the main operating business of the issuer.
- The issuer is proposing, or has recently completed, a significant restructuring, amalgamation or takeover.
- The issuer's CD record appears to be deficient in a material respect.
- The offering is otherwise novel or complex.

While we anticipate that long form timing will only be applied in limited circumstances, issuers are encouraged to consider the above guidance when structuring their transactions and may wish to consider the pre-file procedures in Part 9 of NP 43-201.

B. Use of proceeds

Form 44-101F1 and Form 41-501F1 each prescribe specific disclosure regarding the use of proceeds in a prospectus. However, when there is a lack of compliance with these requirements we ask issuers to enhance their disclosure to describe the principal purposes for which the net proceeds from the offering are intended to be used and the approximate amount intended to be used for each purpose. If an issuer has no specific plan for a significant portion of the proceeds, the prospectus should clearly disclose this and discuss the principal reasons for the offering. If the distribution of an offering is subject to a minimum subscription, the use of proceeds for both the minimum and maximum subscriptions must be disclosed. Similarly, if the offering is structured as "up to a maximum amount", the disclosure should provide adjustments in spending if the proceeds raised are less than the maximum. We also remind issuers that under subsection 61(2)(c) of the *Securities Act* (Ontario) (the Act), the Director will refuse to issue a receipt for a prospectus if it appears to the Director that the proceeds from the offering and the issuer's other resources are insufficient to accomplish the purpose of the offering stated in the prospectus.

C. Common deficiencies in prospectus filings

We continue to see certain deficiencies that can cause unnecessary delays in issuing a receipt on a preliminary prospectus or prospectus. Accordingly, we remind issuers and their advisors to ensure:

(i) *Prior discussions with staff are set out in the cover letter.* Any discussions and outcomes from discussions with staff on a preliminary prospectus should be clearly disclosed in the cover letter.

(ii) *All documents incorporated by reference are filed by the date the short form preliminary prospectus is filed.* NI 44-101 requires that all documents incorporated by reference be filed with **each** offering jurisdiction no later than the date of filing the preliminary short form prospectus. Please refer to subsection 2.1(3) of NI 44-101Companion Policy for details. We remind issuers that where a prospectus is filed in Quebec, a French version of the prospectus is required unless relief is obtained.

(iii) *Activity fees and participation fees are paid.* Activity fees must be paid at the time of filing a preliminary prospectus. Participation fees, on the other hand, apply at the time of filing a final prospectus and apply only if a new reporting issuer is created. Fees should be attached to the applicable fee code and a description completed for each type of filing. Please refer to the OSC Rule 13-502 *Fees*, as amended March 31, 2006 (revised OSC Rule 13-502) for details.

(iv) *Compliance with red herring requirements.* Please ensure that red herrings on all preliminary prospectuses and National Instrument 81-101 *Mutual Fund Prospectus Disclosur*e comply with the appropriate prospectus forms. The red herring language varies on a long form, short form, simplified prospectus and AIF. In addition, each offering jurisdiction must be clearly identified in the red herring. It is inappropriate to simply state “in certain provinces in Canada” in the red herring.

(v) *Compliance with certificate requirements on preliminary and final prospectuses.* Please ensure that the language on the certificate pages complies with the applicable requirements and that the correct form of certificate page is used. As well, please ensure that the date on the certificate pages is the same date as the face page.

(vi) *Use of correct names and dates on preliminary and final prospectuses.* Please ensure that the auditor’s comfort and consent letters, mutual reliance review system (MRRS) confirmation letters and qualification certificates refer to the correct name and date of the preliminary prospectus or prospectus.

D. Common deficiencies relating to filings on SEDAR®

There are a number of issues we frequently encounter in reviewing filings on The System for Electronic Document Analysis and Retrieval (SEDAR). The following technical deficiencies may delay the issue of a prospectus receipt because of the need for additional communication between us, issuers and/or their advisors:

(i) *Blacklined documents incorrectly filed on SEDAR as “Amendments”.* Other than the blackline of the final prospectus, please file blacklined documents under the category “Other Correspondence” on SEDAR (see SEDAR Filer Manual s. 9.7).

(ii) *Multiple subtypes incorrectly filed under one submission on SEDAR.* Please file only one filing subtype under each submission (see SEDAR Filer Manual s. 8.3(e)).

(iii) *Confidential or personal information incorrectly filed under the “CD” filing category on SEDAR.* This is an auto public filing category. Any documents filed under this category will automatically be available on www.SEDAR.com.

(iv) *Keep SEDAR profile up to date.* For example, when an issuer ceases reporting, update the “Reporting Jurisdictions” field in the issuer’s SEDAR profile to “Cease Reporting”.

(v) *Complete all applicable information on SEDAR cover pages.* When filing a prospectus, please check off all appropriate filing procedures before submitting the project.

(vi) *Use the applicable SEDAR fee codes.* Please ensure that the SEDAR fee code corresponds with the filing type and description.

E. Disclosing risks of vendor indemnity caps

In a number of recent prospectus filings, staff have requested additional risk factor disclosure in the prospectuses relating to vendor indemnity caps. These caps are contractual provisions that limit the ability of issuers to seek indemnification from vendors of businesses they are acquiring.

The following comments are intended to refer to the situation where:

- An issuer files a prospectus in connection with an offering of securities to finance the acquisition of another issuer or business (the proposed target).
- The proposed target is significant to the issuer in terms of the significance tests under Canadian prospectus and continuous disclosure rules.
- The vendors of the proposed target are not otherwise required to sign the prospectus as promoters or in another capacity.

These comments do not refer to the situation where vendors may be viewed as acting as promoters of the issuer in the circumstances described in National Policy 41-201 *Income Trusts and Other Indirect Offerings*.

In a number of recent prospectus filings to finance the acquisition of a proposed target, staff have noted that a substantial amount of the prospectus disclosure relates to the proposed target and that an investor's decision to participate in the prospectus offering may in large part be based on the disclosure about the proposed target.

However, if the vendors have not signed the prospectus and the acquisition agreement includes a significant vendor indemnity cap, the vendors of the proposed target may have little or no liability to investors or to the issuer if there is a misrepresentation in the target-related disclosure. We have recently reviewed a number of prospectus filings where the vendor indemnity caps have purported to limit the vendors' liability from 5% to 10% of the proceeds paid to the vendors.

We have questioned whether this situation undermines the statutory requirement that the prospectus contain full, true and plain disclosure of all material facts relating to the securities to be issued under the prospectus. The parties receiving the proceeds of the offering and the parties with the best information about the proposed target, namely the vendors, may not be motivated to ensure that the prospectus does in fact contain full, true and plain disclosure in relation to the proposed target.

We are concerned that, in effect, the vendors may be protected from the consequences of a misrepresentation in the disclosure relating to the proposed target, and that the risk that this disclosure may contain a misrepresentation may fall primarily on the issuer and ultimately the shareholders of the issuer, including the investors in the prospectus offering.

We recognize, however that the issuer in an arm's length transaction may only have a limited ability to negotiate the terms of the vendor indemnity cap and that the inclusion of the cap may have been reflected in the acquisition price for the proposed target.

In view of this, it is current staff practice to raise a comment as part of the review process when a prospectus indicates that the acquisition agreement includes a vendor indemnity cap. Staff will request risk factor disclosure that highlights the following facts:

- The proceeds of the offering will be paid out to the vendors following closing.
- The vendors have not reviewed the disclosure in the prospectus relating to the proposed target and have not represented that:

  (i) the disclosure represents full, true and plain disclosure, and

  (ii) does not contain a misrepresentation.
- The vendors will have no liability to investors in the offering if the prospectus disclosure relating to the proposed target contains a misrepresentation.
- The vendors' liability to the issuer is capped at $●, representing ●% of the proceeds of the offering if there is a misrepresentation in any of the representations and warranties relating to the proposed target.

F. Representations regarding listing or quotation of securities

Subsection 38(3) of the Act generally prohibits any person or company that intends to trade in a security from making any representation that the security will be listed on a stock exchange or quoted on a quotation and trade reporting system, or that application has been made to list or quote such security (listing representations). However, subsection 38(3) does permit listing representations where the stock exchange or quotation and trade reporting system has granted approval to the listing or quoting of the securities, conditional or otherwise, or has consented to, or indicated that it does not object to the representation (Exchange Approval).

Notwithstanding that subsection 38(3) permits listing representations in limited circumstances, we continue to receive a number of applications made on behalf of issuers that wish to include listing representations. In most cases, these applications are made by applicants who did not seek Exchange Approval before making the application. We have found that, in most instances where we request that applicants seek Exchange Approval, they are able to obtain it in a timely manner and relief becomes unnecessary.

We recommend that parties considering applications for relief from the provisions of subsection 38(3) seek Exchange Approval instead. If it becomes necessary to make an application to us, the application should disclose:

(i) when Exchange Approval was requested, and

(ii) the outcome of that request.

G. Cross-border "quiet filings"

Foreign private issuers may be permitted to initially submit their U.S. registration statement (including the embedded prospectus) to the SEC on a confidential "quiet filing" basis. We have observed that where a foreign private issuer satisfies the U.S. requirements, it may request approval to concurrently pre-file a preliminary prospectus with us on a confidential basis.

In the limited circumstances set out above, issuers may concurrently pre-file preliminary prospectuses on a confidential basis with us if:

- The preliminary prospectus filed with the SEC and with us is substantially the same, with some minor differences resulting from different form requirements.
- The preliminary prospectus is pre-filed in all Canadian jurisdictions where the issuer is proposing to do the offering.
- The principal regulator and the non-principal regulators have at least 10 working days to review the pre-filed preliminary prospectus and issue a comment letter.
- There is no specified date by which we must resolve our comments on the pre-filed preliminary prospectus or the related publicly filed preliminary prospectus.
- Any waiting period, which would begin when the preliminary prospectus is publicly filed, is preserved.
- The pre-filed preliminary prospectus is not used for marketing purposes and is not provided to anyone other than those directly involved with preparing it.
- The filing fees associated with a preliminary prospectus are paid when the preliminary prospectus is pre-filed.
- When the preliminary prospectus is publicly filed on SEDAR, all comment letters and the corresponding responses on the pre-filed preliminary prospectus are filed, but are not made public.

H. Use of electronic roadshow materials in connection with cross-border offerings

In a recent decision, a filer's use of electronic roadshow materials in connection with a filer's cross-border initial public offering was permissible where the offering was registered with the SEC and complied with the U.S. *Securities Act of 1933* (the 1933 Act).

Under changes to the 1933 Act that came into effect in December 2005, SEC issuers can use electronic roadshow materials as long as these materials are posted on a website without restriction (such as password protection) or filed with the SEC, either of which would result in unrestricted access. Under the 1933 Act, these materials are considered to be a "free writing prospectus" and the issuer and its underwriters are liable for any misrepresentation in the materials.

Under Canadian securities laws, providing unrestricted access to electronic roadshow materials is not a permissible marketing activity during the waiting period between a preliminary and final prospectus. As a result, issuers that comply with the U.S. offering rules on free writing prospectuses are not in compliance with the current Canadian regime.

In order to provide Canadian investors with the same protections U.S. investors have for electronic roadshow materials, staff will consider recommending relief from the prospectus and registration requirements relating to the posting of these materials. The filer and its Canadian underwriters would be required to provide a contractual right of action relating to the roadshow materials in the prospectus that is equivalent to section 130 of the Act. To mirror the rights provided to U.S. investors, this contractual right should provide that, if the website materials contain a misrepresentation, any Canadian investor who views the materials and

later buys the securities under the Canadian prospectus will have a right to sue the filer and the Canadian underwriters without having to prove that the investor relied on the misrepresentation. The filer would also need to represent that all sales to Canadian investors would be made through a Canadian registrant.

IV. APPLICATION MATTERS

A. Deeming a substantial issuer to cease to be a reporting issuer

We have received applications from large, foreign-incorporated issuers seeking an order under section 83 of the Act that the issuer be deemed to have ceased to be a reporting issuer. Typically, these issuers have shareholders in Ontario, their securities are not listed on an exchange in Canada, but are listed on one or more exchanges outside of Canada, and they do not intend to make any further distributions of securities in Canada.

Historically, staff have recommended this relief when the reporting issuer can demonstrate that ownership of its securities in Canada is *de minimis* compared to the total ownership of its securities. This would typically be measured by:

- fewer than 300 beneficial securityholders in Canada, and
- a small percentage of securities beneficially owned in Canada.

We have recently adopted a modified approach to "deem to cease" applications received from substantial issuers that report in the U.S. and are listed on a U.S. exchange. This new approach, explained below, is reflected in the Commission's decisions *Re DaimlerChrysler AG* (2005), 28 O.S.C.B. 8109 and *Re Imperial Tobacco Canada Limited* (2006), 29 O.S.C.B. 2047.

Generally, we will recommend relief if the issuer provides representations and undertakings to the Commission that include the following:

- Securityholders resident in Canada do not:
  - beneficially own more than 2% of each class or series of outstanding securities of the issuer worldwide, and
  - represent, directly or indirectly, more than 2% of the total number of securityholders of the issuer worldwide.
- The issuer files reports under U.S. securities law and is listed on a U.S. exchange or, in certain cases, is subject to other foreign securities laws and is listed on a foreign exchange.
- The issuer has not taken steps within the preceding 12 months that would suggest that there may be a market for its securities in Canada (such as conducting a prospectus offering in Canada or establishing or maintaining a listing on a Canadian marketplace or stock exchange).
- The issuer provides advance notice in a press release to Canadian resident securityholders that it has applied to be deemed to have ceased to be a reporting issuer in Canada and, if relief is granted, the issuer will not be a reporting issuer or the equivalent in any jurisdiction in Canada.
- The issuer undertakes to continue to deliver to its securityholders in Canada, in the same manner and at the same time as delivered to U.S. securityholders, all disclosure material required by U.S. securities law and exchange requirements to be delivered to securityholders resident in the United States.

In particular, staff have noticed that some filers have difficulty in representing that residents of Canada do not:

- beneficially own directly or indirectly more than 2% of a class or series of the issuer's outstanding securities worldwide, and
- represent more than 2% of the total number of owners who own, directly or indirectly, a class or series of the issuer's securities worldwide.

Staff will not generally recommend granting the relief without the issuer satisfying the "2% test". In addition, staff will not generally recommend granting the relief where the representations are qualified or limited to the knowledge of the issuer, unless the issuer can demonstrate that it has made diligent enquiry to support this representation.

B. Common deficiencies with exemptive relief applications

Certain deficiencies in applications for exemptive relief often delay the granting of the requested relief. We remind issuers and their advisors of the following to support the timely processing of their applications:

(i) *Ontario as principal regulator. If Ontario is the principal regulator, please provide:*

(a) a hard copy of the application letter

(b) a hard copy of the draft decision document

(c) copies of the verification statements

(d) the correct fees, if applicable, pursuant to the revised OSC Rule 13-502

(e) a compact disc or floppy diskette containing the application letter and decision document in Word format, and

(f) on MRRS decisions, a table of concordance.

(ii) *Ontario as non-principal regulator.* If Ontario is not the principal regulator, please email the application letter and decision document, in Word format, to the analyst once he or she is identified.

(iii) *Separate heads of relief.* We remind issuers to set out each head of relief *separately* in both the application letter and in the draft decision document.

(iv) *Requests for confidentiality during review period.* Requests for confidentiality *during* the review process must set out the substantive reasons for the request.

(v) *Requests for confidentiality post-decision.* Requests for confidentiality *after* the review process must be set out as a separate head of relief in the application letter and in the draft decision document. A timeline for lifting a grant of confidentiality must also be included in the decision document.

(vi) *Timing constraints.* Clearly set out any timing constraints in the application letter.

(vii) *Ensure that the draft decision document is in the prescribed form.* In particular, issuers are reminded of the format contained in Schedule A to NP 12-201 for decisions under MRRS.

(viii) *Cite relevant precedent decisions.* Issuers should highlight and explain in the application letter any variations between the requested relief and the precedents.

C. Expedited treatment of applications

In many circumstances, filers are not filing applications for exemptive relief on a timely basis.

The OSC's service standard is that if you file an application with Corporate Finance and we are your principal regulator or the only regulator you need relief from, we will generally complete your application within 40 working days. Novel, complex or unusual matters will require more time. An abridgement will not be granted unless the filer has made compelling arguments in the application that immediate attention is absolutely necessary and reasonable under the circumstances.

D. Pre-filings - applications

Before making a formal application for exemptive relief, filers are encouraged to submit a pre-filing if the potential application involves a novel and substantive issue or raises a novel public policy issue. Part 4 of NP 12-201 sets out the requirements for pre-filings under MRRS for exemptive relief applications. The pre-filing process allows regulators to provide a filer with their initial views on the requested relief so that the filer can determine whether to make a formal application or pursue an alternative approach.

V. INSIDER REPORTING ISSUES

A. Common issues on SEDI

We have noticed that many insiders and their agents file insider reports on SEDI that do not correctly report their transactions in the manner required by Form 55-102F2 *Insider Report* and other applicable securities laws. For example, an insider may report

the exercise of an option without also reporting the acquisition of the underlying common shares received on exercise of the option and the subsequent sale of those shares. Other frequently occurring errors include:

- Failing to report compensation arrangements that are "securities" within the meaning of the Act because they constitute evidence of an option, subscription or other interest in, or to, an underlying security (e.g., failing to report deferred share units that provide for the possibility of a payout in shares or other securities).

- Improper reliance on the automatic securities purchase plan exemption in Part 5 of National Instrument 55-101 *Insider Reporting Exemptions* (e.g., a board of directors deciding to grant themselves options, but not reporting the grant within 10 days).

- Insiders placing a successful order to purchase or sell securities with a broker, but not reporting the trade until they receive a confirmation slip or account statement from the broker after the 10-day reporting period.

- Insiders purchasing securities in a private placement, but not reporting the purchase until they receive certificates representing the securities from the issuer or its transfer agent after the 10-day reporting period.

- Insiders failing to report securities over which they have control or direction (e.g., securities owned by a corporation controlled by the insider or securities held by a trust of which the insider is a trustee).

- Insiders using transaction codes that do not best describe the transaction being reported.

In addition to the instructions in Form 55-102F2, we remind insiders, reporting issuers and their agents that the following resources are available for guidance on insider reporting requirements:

- SEDI Online Help at www.sedi.ca

- SEDI User Guide available on the CSA website at www.csa-acvm.ca

- CSA Staff Notice 55-308 *Questions on Insider Reporting*

- CSA Staff Notice 55-310 *Questions and Answers on SEDI*

We have also noticed that some filers are not keeping their profiles up-to-date on SEDI:

Insider profiles

- Insiders must file an amended insider profile on SEDI within 10 days of a change in the insider's name or the insider's relationship to any reporting issuer, or if the insider ceases to be an insider of any reporting issuer.

- If there has been any other change in the information disclosed in the insider's insider profile (e.g., a change of contact information), an amended insider profile must be filed at the time of the next filing on SEDI.

Issuer profile supplements

- A reporting issuer must file an amended issuer profile supplement on SEDI immediately if a new class of security is issued, if there is a change in the designation of any security, if any security has ceased to be outstanding and is not subject to issuance at a future date, or if there is any other change in the information disclosed in the issuer profile supplement.

B. Late fees and late fee waivers

We remind insiders that OSC Rule 13-502 *Fees* imposes a fee when an insider report is filed late. The fee is $50 per day per insider per issuer up to $1,000 within any one year beginning on April 1 and ending on March 31. The late fee does not apply to an insider if:

- the head office of the issuer is located outside Ontario, and

- the insider is required to pay a late fee for the filing in a jurisdiction in Canada other than Ontario.

The OSC does not charge late fees if the issuer's head office is located in British Columbia, Manitoba or Quebec as those jurisdictions charge late fees to insiders of those issuers.

Insiders who file an application under OSC Rule 13-502 for a waiver of the late filing fee should note the following:

- The application must include the insider name, the issuer name, the SEDI invoice number and the detailed reasons why the late fee should be waived.

- Late fee waivers may be granted for filing errors such as a typographical error in the transaction date.

- *Waivers for late fees for insider reports will generally NOT be granted for the following:* (i) insiders or agents who misunderstand the 10-day reporting requirement (e.g., reporting within 10 business days rather than 10 calendar days); (ii) delays caused by vacations or business trips; (iii) miscommunication between the insider and their agent or broker (e.g., failure of a broker to provide the insider with the details of a trade); (iv) negligence of filing agents; or (v) unfamiliarity with the legal obligations of an insider. Insiders have a legal obligation to file an insider report within 10 days of any change in their holdings (unless an exemption is available), and we expect insiders and their filing agents to take this obligation seriously.

VI. IMPROVEMENTS IN COMMUNICATION

A. SEDAR

(i) Enhancements

Over the past year, SEDAR has undergone a number of changes to reflect new laws and to provide improved service to users. Enhancements have been made to facilitate the following filings:

- National Instrument 81-106 *Investment Fund Continuous Disclosure*

- Multilateral Instrument 11-101 *Principal Regulator System*

- National Instrument 44-101 *Short Form Prospectus Distributions*

- National Instrument 58-101 *Disclosure of Corporate Governance Practices*

- OSC Rule 13-502 *Fees*

In July, we made a significant system enhancement through Release 8.0 that allows subscribers to connect to the SEDAR server via an existing internet connection, thus replacing the Network Dialer. In addition, a robot blocker was installed to prevent automated downloading of information. Moreover, the system was updated to allow for items such as the addition of an e-mail address in the issuer profile page. Changes that are planned focus on an improved searchability function in a variety of areas.

(ii) Making documents private

We received an increased number of requests to make documents private after we make the documents public on www.sedar.com. Except in exceptional circumstances, it is our practice not to make documents private once we have made them public on www.sedar.com.

Parts 9.1 (d) and (e) of the SEDAR Filer Manual contain guidance on making public documents private. We are revising our policy for making documents private to clarify the limited circumstances where this is permissible. This will ensure consistent and fair treatment of requests received both within the Branch and across jurisdictions.

For example, we will change the status from public to private on documents that contain personal or confidential information or that are filed under the incorrect issuer profile. We will not change the status from public to private on documents that have typographical errors or that are filed twice.

B. Service enhancements

Corporate Finance has undertaken a number of initiatives to demonstrate our commitment to deliver dependable, prompt and high quality service. These include:

(i) Enhancements to the National Cease Trade Order (CTO) database - The CTO database is a vital one-stop resource intended to help protect investors and dealers from unintentional violations of CTOs. Subscribers to the database receive real-time electronic feed of CTOs as they are issued by participating jurisdictions. Previously, the database included a listing of issuer-only CTOs. Enhancements to the database were made to include a listing of management

CTOs in addition to issuer CTOs. The database was originally launched through the Market Regulation Services Inc. website and now resides on the CSA website.

(ii) *Enhancement of reporting issuer information on OSC website* - We have provided more frequent replication of information relating to defaults and CTOs on the OSC website. In addition, the website provides a centralized location for issuers or registrants to complete filings along with instructions for filing on SEDAR.

(iii) *Greater use of plain language in various forms of our communication to market participants.* - With a focus on clarity and comprehension, we hope that the use of plain language will improve our communication with market participants.

Questions

Please refer any questions you may have to:

Contact Centre
Ontario Securities Commission
20 Queen Street West, Suite 1900, Box 55
Toronto, Ontario M5H 3S8
Telephone: (416) 593-8314
e-mail: inquiries@osc.gov.on.ca

Cameron McInnis, Manager
Phone: (416) 593-3675
Fax: (416) 593-8244
Email: cmcinnis@osc.gov.on.ca

Erez Blumberger, Assistant Manager
Phone: (416) 593-3662
Fax: (416) 593-8244
Email: eblumberger@osc.gov.on.ca

Deepali Kapur, Accountant
Phone: (416) 593-8256
Fax: (416) 593-8244
Email: dkapur@osc.gov.on.ca

Michelle Bau, Legal Counsel
Phone: (416) 593-2324
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Email: mbau@osc.gov.on.ca

October 27, 2006

1.1.5 CSA Staff Notice 13-316 - Amendments to the SEDAR Filer Manual

CSA STAFF NOTICE 13-316
AMENDMENTS TO THE SEDAR FILER MANUAL

Introduction

The *System for Electronic Document Analysis and Retrieval (SEDAR) Filer Manual* ("the Manual") was last updated in 2001. Since then, there have been many changes to SEDAR in terms of both document types and functionality. Staff of the Canadian Securities Administrators ("CSA") are issuing this Notice to inform users that a new version of the Manual that reflects these changes, is now available.

The Manual sets out certain standards, procedures and guidelines for preparing electronic documents and making electronic filings using SEDAR. National Instrument 13-101 – *System for Electronic Document Analysis and Retrieval* (NI 13-101) requires that electronic filings with the CSA comply with the requirements of the Manual.

Manual Version 8.3

The version number of the Manual is 8.3, corresponding to the most current SEDAR release, SEDAR version 8.3, implemented on September 30, 2006.

The Manual will be accessible on the websites of the securities regulators in British Columbia, Alberta, Manitoba, Northwest Territories, Nova Scotia, Ontario and Quebec and the SEDAR.com website.

Contact Information

If additional information is required, please contact your local SEDAR Customer Service Representative or the CDS INC. Help Desk at 1-800-219-5381. For further information, please contact any of the following:

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www.bcsc.bc.ca

Rey Madrilejo
Compliance Officer
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Wayne Bridgeman
Senior Analyst
The Manitoba Securities Commission
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Mr. Don Boyles, CMA
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Financial Services Regulation Division
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October 27, 2006

1.3 News Releases

1.3.1 Securities Regulators Publish Results of SEDI User Opinion Survey

FOR IMMEDIATE RELEASE

SECURITIES REGULATORS PUBLISH RESULTS OF SEDI USER OPINION SURVEY

October 23, 2006 - Toronto - The Canadian Securities Administrators (CSA) today announced the release of a report, *SEDI User Opinion Survey Highlights* related to the System for Electronic Disclosure by Insiders (SEDI). Provincial securities laws require insiders of public companies to file reports of their trading in the company's securities. In 2003, the CSA introduced SEDI, an electronic filing system, to replace paper-based reporting and provide both insiders and the public with a more efficient and timely disclosure of insider trading.

The purpose of the Survey was to gain a better understanding of who uses SEDI, how it is used, the requirements that are important to users, and the level of satisfaction with SEDI. Two extensive online surveys were conducted of registered users and public users. There were 1,752 responses from registered users and 350 responses from public users.

Individuals who file their own reports accounted for 55% of registered users. More than half indicated they have trouble with the complexity of the system. SEDI agents, those who file on behalf of insiders, are more experienced with SEDI and know how to use it, still say they find it awkward and inefficient.

"We acknowledge that while the system does work there are usability issues and we are committed to improving the system," says Jean St-Gelais, CSA Chair. "Our proposed course of action will include either modifications to SEDI or a redevelopment; however, it is too soon in the process to tell which route we'll take."

By the end of 2005, there were approximately 17,000 registered users of SEDI, filing for more than 37,000 insiders. An unknown number of public users viewed approximately 1.5 million public reports in 2005.

The SEDI User Opinion Survey Highlights is available on the CSA website at www.csa-acvm.ca.

The CSA, the council of the securities regulators of Canada's provinces and territories, co-ordinates and harmonizes regulation for the Canadian Capital Markets.

For more information:

Laurie Gillett
Ontario Securities Commission
416-595-8913

Andrew Poon
British Columbia Securities Commission
604-899-6880

Tamera Van Brunt
Alberta Securities Commission
403-297-2664

Ainsley Cunningham
Manitoba Securities Commission
204-945-4733

Frédéric Alberro
Autorité des marchés financiers
514-940-2176

1.4 Notices from the Office of the Secretary

1.4.1 Norshield Asset Management (Canada) Ltd.

FOR IMMEDIATE RELEASE
October 20, 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.

TORONTO – Today the Commission issued an Order pursuant to section 127 of the *Securities Act* in the above noted matter, which provides that:

(1) The Temporary Order is continued until the Proceeding is concluded and a decision of the Commission is rendered or until the Commission considers appropriate; and

(2) Any person or company affected by this Order may apply to the Commission for an order revoking or varying the terms of this Order pursuant to s. 144 of the Act.

A copy of the Order is 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 Olympus United Group Inc.

FOR IMMEDIATE RELEASE
October 20, 2006

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

AND

IN THE MATTER OF
OLYMPUS UNITED GROUP INC.

TORONTO – Today the Commission issued an Order pursuant to section 127 of the *Securities Act* in the above noted matter, which provides that:

(1) The Temporary Orders made by the Commission on May 13, 2005 and May 20, 2005 are continued until the Proceeding is concluded and a decision of the Commission is rendered or until the Commission considers appropriate; and

(2) Any person or company affected by this Order may apply to the Commission for an order revoking or varying the terms of this Order pursuant to s.144 of the Act.

A copy of the Order is 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

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Lockwood Advisors, Inc. - s. 6.1(1) of MI 31-102 National Registration Database and s. 6.1 of OSC Rule 13-502 Fees

Headnote

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

Rules Cited

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

October 16, 2006

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

AND

IN THE MATTER OF
LOCKWOOD ADVISORS, INC.

DECISION
(Subsection 6.1(1) of Multilateral Instrument 31-102 National Registration Database and Section 6.1 of Ontario Securities Commission Rule 13-502 Fees)

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

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

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

1. The Applicant is organized as a company under the laws of the State of Delaware in the United States of America. The Applicant is not a reporting issuer in any province or territory of Canada. The Applicant is seeking registration under the Act as a non-Canadian adviser. The head office of the Applicant is located in Malvern, Pennsylvania.

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

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

4. The Applicant confirms it is not registered, and does not presently intend to register, in another category in Ontario to which the EFT Requirement applies.

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

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

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

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

A. makes acceptable alternative arrangements with CDS for the payment of NRD fees and makes such payment within ten (10) business days of the date of the NRD filing or payment due date;

B. pays its participation fee under the Act to the Commission by cheque, draft, money order or

other acceptable means at the time of filing its application for annual renewal, which shall be no later than the first day of December in each year;

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

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

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

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

"David M. Gilkes"

2.1.2 Stanwich Advisors LLC - s. 6.1(1) of MI 31-102 National Registration Database and s. 6.1 of OSC Rule 13-502 Fees

Headnote

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

Rules Cited

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

October 6, 2006

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

AND
IN THE MATTER OF
STANWICH ADVISORS, LLC

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

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

AND UPON the Director having considered the application and the recommendation of the staff of the Ontario Securities Commission (the Commission);

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

1. The Applicant is incorporated under the laws of the State of Connecticut in the United States of America. The Applicant is not a reporting issuer. The Applicant is currently registered as a broker dealer in the United States of America and its primary regulator is NASD. The Applicant is currently seeking registration under the Act as an international dealer.

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

3. The Applicant anticipates encountering difficulties in setting up its own Canadian based bank account for purposes of fulfilling the EFT Requirement.

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

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

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

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

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

(a) makes acceptable alternative arrangements with CDS for the payment of NRD fees and makes such payment within ten (10) business days of the date of the NRD filing or payment due date;

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

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

(d) it is not registered in any Jurisdiction in another category to which the EFT Requirement applies;

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

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

“David M. Gilkes”

2.1.3 Probitas Funds Group, LLC - s. 6.1(1) of MI 31-102 National Registration Database and s. 6.1 of OSC Rule 13-502 Fees

Headnote

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

Rules Cited

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

October 6, 2006

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

AND

IN THE MATTER OF
PROBITAS FUNDS GROUP, LLC

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

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

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

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

1. The Applicant was incorporated under the laws of the State of Delaware in the United States of America. The Applicant is not a reporting issuer in any province or territory in Canada. The Applicant is seeking registration under the Act as an international dealer. The registered office of the Applicant is located in California.

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

3. Section 3.1 of Rule 13-502 requires that registrant firms pay participation fees. Section 4.3 of the Companion Policy to Rule 13-502 provides that registrant firms pay through NRD (the Participation Fee Requirement and collectively with the NRD Requirement, the EFT Requirement).

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

5. The Applicant confirms that it is not registered in another category to which the EFT Requirement applies and that Ontario is the only jurisdiction in which it is seeking registration.

6. Staff of the Canadian Securities Administrators has indicated that, with respect to applications from international dealers for relief from the EFT Requirement, it is prepared to recommend waiving the fee normally required to accompany applications for discretionary relief (the Application Fee).

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

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

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

A. makes acceptable alternative arrangements with CDS for the payment of NRD fees and makes such payment within ten (10) business days of the date of the NRD filing or payment due date;

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

C. pays any applicable activity fees, or other fees that the Act requires it to pay to the Commission, by cheque, draft, money

order or other acceptable means at the appropriate time; and

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

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

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

"David M. Gilkes"

2.1.4 First Silver Reserve 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.

October 19, 2006

First Silver Reserve Inc.
1480 – 885 West Georgia Street
Vancouver, BC V6C 3E8

Dear Sirs:

Re: First Silver Reserve Inc. (the "Applicant") - Application to Cease to be a Reporting Issuer Under the Securities Legislation of Ontario and Alberta (the "Jurisdictions")

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

As the Applicant has represented to the Decision Makers that,

- the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by less than 15 security holders in each of the jurisdictions in Canada and less than 51 security holders in total in Canada;
- no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 Marketplace Operation;
- the Applicant is applying for relief to cease to be a reporting issuer in all of the jurisdictions in Canada in which it is currently a reporting issuer; and
- the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer,

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

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

2.1.5 Daylight Resources Trust - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - Trades by an income trust in connection with its distribution reinvestment plan (DRIP plan) - Filer is resulting issuer of a merger of two existing income trusts under a plan of arrangement - Filer had only one trust unit issued and outstanding at the beginning of its initial financial year – Filer seeking exemptive relief to use number of trust units issued and outstanding on effective date of plan of arrangement rather than at start of trust's initial financial year to calculate maximum number of units issuable under the DRIP plan optional cash payment option.

Applicable Ontario Statutory Provisions

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

Applicable National Instruments

National Instrument 45-106 Prospectus and Registration Exemptions, s. 2.2.
National Instrument 45-102 Resale of Securities, s. 2.6.

October 13, 2006

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, ALBERTA, SASKATCHEWAN, MANITOBA, ONTARIO, QUÉBEC, NEW BRUNSWICK, NOVA SCOTIA, NEWFOUNDLAND AND LABRADOR, AND PRINCE EDWARD ISLAND
(the Jurisdictions)

AND

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

AND

IN THE MATTER OF
DAYLIGHT RESOURCES TRUST (THE FILER)

MRRS DECISION DOCUMENT

Background

1. The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from Daylight Resources Trust (the Filer) for a decision, pursuant to the securities legislation of the Jurisdictions (the Legislation), that the requirements contained in the Legislation to be registered to trade in a security and to file and obtain a receipt for a preliminary prospectus and a final prospectus (the Registration and Prospectus Requirements) shall not apply to the initial distribution of trust units of the Filer (Trust Units) to be issued under the optional cash payment component of a distribution reinvestment and optional trust unit purchase plan (Plan) during the Filer's initial financial year ending December 31, 2006 (the 2006 Financial Year) (Requested Relief).

2. Under the Mutual Reliance Review System for Exemptive Relief Applications (MRRS):

   2.1 the Alberta Securities Commission is the principal regulator for this application; and

   2.2 this MRRS decision document evidences the decision of each Decision Maker.

Interpretation

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

Representations

4. This Decision is based on the following facts represented by the Filer:

   4.1 The Filer is an open-ended unincorporated investment trust formed under the laws of the province of Alberta and governed by a trust indenture dated August 16, 2006 (the Trust Indenture).

   4.2 The head office and principal place of business of the Filer is located in Calgary, Alberta.

   4.3 The Filer is the resulting entity of the merger between Daylight Energy Trust and Sequoia Oil & Gas Trust under a plan of arrangement (Arrangement) completed on September 21, 2006 (Effective Date).

   4.4 The Arrangement received unitholder and court approval on September 19, 2006.

   4.5 The Filer became a reporting issuer in certain of the Jurisdictions on completion of the Arrangement.

   4.6 The Filer had one Trust Unit issued and outstanding prior to the Effective Date of the Arrangement, and approximately 71.2 million Trust Units issued and outstanding immediately after the Effective Date.

4.7 The Trust Units were listed on the Toronto Stock Exchange on September 26, 2006.

4.8 The Plan permits eligible holders of Trust Units (Participants) to automatically reinvest cash distributions paid on their Trust Units in additional Trust Units (Plan Units) as an alternative to receiving a cash distribution.

4.9 The Plan also permits Participants to make additional optional cash payments to acquire additional Trust Units (Optional Plan Units), subject to a minimum of $ 1,000 per remittance and to a maximum of $100,000 per financial month of the Filer per Participant.

4.10 No brokerage fees or service charges will be payable by Participants in connection with the purchase of Optional Plan Units under the Plan.

4.11 The Filer reserves the right to determine for any distribution payment date how many Optional Plan Units will be available for purchase under the Plan.

4.12 A Participant may terminate its participation in the Plan at any time by submitting a termination form to the Plan agent.

4.13 The Filer will post the Plan on the Filer's website. The Filer reserves the right to amend, suspend or terminate the Plan at any time and will provide Participants with written notice of any amendments, suspensions or terminations.

4.14 The Plan will not be available to Unitholders who are not residents of Canada for purposes of the *Income Tax Act* (Canada).

4.15 The Filer can rely on the reinvestment exemptions in section 2.2 of National Instrument 45-106 *Prospectus and Registration Exemptions* (NI 45-106) to distribute Plan Units and Optional Plan Units, except for Optional Plan Units distributed during the 2006 Financial Year.

4.16 As the 2006 Financial Year began prior to the Effective Date of the Arrangement and the Filer had only one Trust Unit issued and outstanding prior to the Arrangement, the Filer would be unable to issue any Optional Plan Units during the 2006 Financial Year as issuances are limited to 2% of the number of trust units issued and outstanding at the start of the 2006 Financial Year.

4.17 The Filer is seeking to issue 2% of the aggregated number of Trust Units issued and outstanding immediately following the completion of the Arrangement.

Decision

5. 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.

6. The Decision of the Decision Makers pursuant to the Legislation is that the Requested Relief is granted, provided that:

6.1 at the time of the trade the Filer is a reporting issuer in at least one of the Jurisdictions and is not in default of any requirements of the Legislation;

6.2 no sales charge is payable by Participants in connection with the purchase of Optional Plan Units;

6.3 the aggregate number of Optional Plan Units issuable under the Plan in the 2006 Financial Year must not exceed 2% of the Trust Units issued and outstanding immediately after the Effective Date of the Arrangement; and

6.4 the first trade of Optional Plan Units shall be deemed to be a distribution or primary distribution to the public in the Jurisdictions unless the conditions set out in subsection 2.6(3) of National Instrument 45-102 *Resale of Securities* are satisfied.

"Glenda A. Campbell, Q.C."
Vice-Chair
Alberta Securities Commission

"James A. Millard, Q.C."
Member
Alberta Securities Commission

2.1.6 Eimskip Atlas Canada, Inc. - MRRS Decision

Headnote

Mutual Reliance Review System- take-over bid – relief from the prohibition against collateral benefits – joint offeror that in a minority security holder has entered into collateral agreements with other joint offerors – agreement are for the purpose of providing financing to fund the take-over bid, the agreements are commercially reasonable, the financing is unrelated to the transfer of securities of the joint offeror under the bid, the financing is offered on normal business terms.

Applicable Ontario Statutory Provisions

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

October 18, 2006

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ALBERTA, BRITISH COLUMBIA, SASKATCHEWAN, MANITOBA, ONTARIO, QUEBÉC, NOVA SCOTIA, NEW BRUNSWICK AND NEWFOUNDLAND AND LABRADOR (THE "JURISDICTIONS")

AND

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

AND

IN THE MATTER OF
EIMSKIP ATLAS CANADA, INC. (THE "OFFEROR"), AVION GROUP HF ("AVION") AND KING STREET REAL ESTATE GROWTH LP NO. 2 ("KINGSTREET")

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the "Decision Maker") in each of the Jurisdictions has received an application from the Offeror, Avion and KingStreet (collectively, the "Filers") for a decision under the securities legislation of the Jurisdictions (the "Legislation") that the Junior Credit Facilities (defined herein) and the Avion Convertible Debentures (defined herein) entered into in connection with an offer (the "Offer") to purchase all of the issued and outstanding trust units (the "Units") of Atlas Cold Storage Income Trust ("Atlas") are made for reasons other to increase the value of consideration paid to KingStreet for its Units and may be entered into notwithstanding the provisions of the Legislation that prohibit an offeror who makes or intends to make a take-over bid, and anyone acting jointly or in concert with the offeror, from entering into any collateral agreement, commitment or understanding with any holder or beneficial owner of securities of the offeree issuer that has the effect of providing to the holder or owner a consideration of greater value than that offered to other holders of the same class of securities (the "Requested Relief").

Under National Policy 12-201 – *Mutual Reliance Review System for Exemptive Relief Applications*:

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

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

Interpretation

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

Representations

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

1. The Offeror is a private company incorporated under the *Canada Business Corporations Act*. The Offeror was incorporated for the purpose of making the Offer and has not carried on any business other than that incidental to making the Offer. The Offeror is a wholly-owned indirect subsidiary of Avion. As at the date hereof, the Offeror does not beneficially own any Units or any securities convertible or exchangeable for Units.

2. Avion is a limited liability company domiciled in Iceland. As at the date hereof, Avion beneficially owns 6,177,000 Units, representing approximately 9.4% of the issued and outstanding Units on a fully-diluted basis.

3. KingStreet is a private investment fund formed under the laws of Manitoba. Its general partner is KingStreet Real Estate Growth GP No. 2 Inc. As at the date hereof, KingStreet and its affiliates beneficially own or exercise control or direction over 2,845,200 Units, representing approximately 4.3% of the issued and outstanding Units on a fully-diluted basis.

4. SITQ Industriel III Inc. ("SITQ") is a corporation incorporated under the laws of the Province of Québec and a subsidiary of Caisse de depôt et placement du Québec.

5. Atlas is a trust established under the laws of the Province of Ontario.

6. Atlas is a reporting issuer or the equivalent in all provinces of Canada and the Units are listed on the Toronto Stock Exchange under the symbol "FZR.UN". According to Atlas' filings with Canadian securities regulators, as at June 30, 2006, 62,950,869 Units were issued and

outstanding (65,507,326 Units on a fully-diluted basis).

7. Atlas Cold Storage Holdings Inc. ("ACSHI") is the administrator and operating subsidiary of Atlas.

8. Pursuant to the Offer and the take-over bid circular (the "Take-over Bid Circular") of the Filers dated August 17, 2006, the Offeror proposed to acquire all of the issued and outstanding Units, including any Units issuable upon the exercise of any options or rights to acquire Units or on the exchange or conversion of securities of ACSHI.

9. The Offer and Take-over Bid Circular was mailed to registered holders of Units on August 17, 2006 and was subsequently extended on September 22, 2006, October 6, 2006 and October 10, 2006.

10. The Offer is fully financed by:

    i. a senior term loan facility (the "Senior Term Loan Facility") between the Offeror and a syndicate of banks in an aggregate principal amount of $255 million (or the U.S. dollar equivalent thereof);

    ii. credit facilities in an aggregate principal amount of $30 million (the "Mezzanine Facility") between the Offeror and KingStreet as to $18 million and SITQ as to $12 million;

    iii. credit facilities in an aggregate principal amount of $80 million (the "Acquisition Facility") between the Offeror and KingStreet as to $48 million and SITQ as to $32 million; and

    iv. a credit facility in an aggregate principal amount of $220 million (the "Avion Acquisition Facility") between the Offeror and Avion.

11. The Senior Term Loan Facility is for a term of 36 months. The Senior Term Loan Facility will bear interest and is subject to fees at levels customary for credit facilities of this type. The Senior Term Loan Facility will be guaranteed by each of the direct and indirect subsidiaries, if any, of the Offeror excluding Atlas and its subsidiaries unless and until it becomes wholly owned by the Offeror (the "Guarantors"). The Senior Term Loan Facility and the guarantees will be secured by a first priority security interest in the capital stock of the Offeror, all inter-company notes of the Offeror and of the capital stock and inter-company notes of each of the Guarantors and in, all of the present and after acquired tangible and intangible properties and assets of the Offeror and of the Guarantors, subject to certain exceptions (the "Security"). The facility may be prepaid prior to maturity at the option of the Offeror. Certain mandatory prepayments may also be required during the term based upon consolidated excess cash flows or earnings. The facility will include covenants, representations, warranties, conditions and events of default customary for loan facilities of this type.

12. The Junior Credit Facilities consist of (a) the Mezzanine Facility, (b) the Acquisition Facility, and (c) the Participating Bond (as described below).

13. The Mezzanine Facility will be for a term of 39 months and will bear interest at a rate of 12% per annum, payable monthly. Interest shall be payable to the extent of available net cash as described under section 18, and to the extent such net cash is not available, will be added to principal until net cash is available or until mandatory repayment.

14. The Acquisition Facility will be for a term of five years and will bear interest at a 10% cumulative return, payable monthly. Interest will be payable to the extent of available net cash as described under section 18, and to the extent such net cash is not available, will be added to principal until net cash is available or until subject to mandatory repayment. The Offeror may repay the Acquisition Facility in whole and not part, prior to the end of the third year of the term at 125% of par plus accrued interest, at the end of the fourth year of the term at 112.5% of par plus accrued interest, and at the end of the term at par plus accrued interest. Any and all repayments must occur prior to any repayment of the Participating Bond (as defined below).

15. The Offeror will issue a bond to KingStreet, for and on behalf of KingStreet and SITQ, pursuant to which KingStreet and SITQ will be entitled to a participation in the net income of the Offeror (the "Participating Bond"). The Participating Bond will have a term of five years subject to early mandatory repayment (such repayment not to be earlier than three years from the completion date of the bid), and subject to the terms of the Bond Call Right as described under section 16, should the Acquisition Facility be prepaid in accordance with its terms. The redemption value of the Participating Bond shall be: (a) the Borrower NAV (as defined below); less (b) the Borrower Cost (as defined below), multiplied by 30% (the "Redemption Price"). For the purposes of this calculation the Borrower shall include all of the North American operations of Avion similar to those activities of Atlas. The "Borrower NAV" shall be defined as the trailing earnings before interest, taxes, depreciation, amortization and rent (EBITDAR) of Atlas for the 12 months immediately preceding the valuation date, multiplied by ten. The "Borrower Cost" shall be defined as (i) the greater of (A) the acquisition cost of Atlas and (B) trailing EBITDAR of Atlas for the 12 months

immediately preceding closing multiplied by ten, plus (ii) any further acquisitions by Avion or Eimskip North America 2005 in similar businesses as Atlas in North America valued as EBITDAR at time of acquisition multiplied by ten.

16. KingStreet and SITQ will grant to Avion the right (the "Bond Call Right") to acquire the Participating Bond from them for a price equal to the Strike Price (as defined below) on any date (and immediately preceding such redemption) upon which the Participating Bond must be prepaid pursuant to the mandatory prepayment provisions described above, provided that such right will only be exercisable provided that: (a) no event of default under the Junior Credit Facilities has occurred and is continuing at such time; and (b) the Acquisition Facility, including all accrued interest thereon, has been paid in full. The "Strike Price" will be defined as: (a) $128 million if the Bond Call Right is exercised at the end of the third year following the issuance of the Participating Bond; (b) $144 million if the Bond Call Right is exercised in the fourth year following the issuance of the Participating Bond; and (c) $160 million if the Bond Call Right is exercised in the fifth year following the issuance of the Participating Bond. Immediately upon the exercise of the Bond Call Right, the transfer of the Participating Bond to Avion and the payment of the Strike Price, the Participating Bond will, on its terms, be amended such that: (a) it is non-transferable; (b) it is no longer secured by the Security; and (c) the mandatory payment thereunder of any amount in excess of the Strike Price is deferred until such time as the Mezzanine Facility and the Senior Credit Facilities and all other obligations outstanding to the lenders thereof, are repaid in full.

17. The Junior Credit Facilities will be guaranteed by the Guarantors. The Junior Credit Facilities, the guarantees and the Avion Convertible Debentures (as described below), will be secured by a second priority security interest in the Security and a guarantee by Avion pursuant to which recourse is limited to the Security. The Junior Credit Facilities will have common positive covenants, negative covenants, representations and warranties and events of default (the "Non-Financial Terms"), and except where the context does not permit same, the Non-Financial Terms will mirror those contained in the loan documents for the Senior Term Loan Facility.

18. Subject to the priorities arrangements between the lenders of the Senior Term Loan Facility and Avion, KingStreet and SITQ (the "Secured Parties"), the Secured Parties will enter into an interlender agreement (the "Interlender Agreement") which will provide, inter alia, that, subject to the terms of the Senior Term Loan Facility:

i. no repayment of the principal or premium (whether before or after default) under the Avion Acquisition Facility, the Acquisition Facility or the Participating Bond will be made until the Mezzanine Facility (including, without limitation, all principal and interest thereunder) has been paid in full;

ii. no repayment of the principal or premium will be made under the Avion Acquisition Facility unless the Acquisition Facility and the Participating Bond are both repaid, and no prepayment of the Acquisition Facility shall be permitted except as described above;

iii. the net cash proceeds from the operations of the business of Atlas or the sale of any assets will be applied:

(a) first, to repay amounts then due under the Senior Term Loan Facility ;

(b) second, to repay interest then due under the Mezzanine Facility and to prepay principal under the Mezzanine Facility until it is fully repaid;

(c) third, to repay all indebtedness under the Senior Term Loan Facility until it is fully repaid;

(d) fourth, to pay the 10% cumulative return under the Acquisition Facility, until such time as the full amount of such return is received by the lender thereof;

(e) fifth, to pay the 10% cumulative return under the Avion Acquisition Facility, until such time as the full amount of such return is received by the lender thereof; and

(f) sixth, for the purposes of repaying the principal amount of the Acquisition Facility, the Avion Acquisition Facility and the Participating Bond, in accordance with paragraph (ii) above, provided that, if no prepayment may be permitted pursuant to paragraph (ii) due to such proceeds being insufficient, then such net cash proceeds shall not be distributed until otherwise required by the facilities, and permitted by the

Interlender Agreement (provided that such prepayments shall not be prevented due to there being unpaid amounts under the Participating Bond that were deferred as described below in the description of the Bond Call Right).

19. In addition, pursuant to a subscription agreement (the "Avion Subscription Agreement") KingStreet and SITQ have severally agreed to purchase three days prior to the date upon which the initial advance of the Junior Credit Facilities is required to be made, $60 million and $40 million principal amount, respectively, of convertible debentures issued by Avion (the "Avion Convertible Debentures"). The Avion Convertible Debentures will: (a) have a five year term; (b) not be voluntarily prepayable by Avion, except on the fourth anniversary of the term; (c) bear interest at 15% per annum on the principal amount (excluding accrued interest); (d) require payment of interest only upon redemption or maturity (but not on conversion); (e) be redeemable up to $10 million ($6 million in the case of KingStreet and $4 million in the case of SITQ) at the end of each year for five years, and be redeemable in full at the end of year three and on maturity; and (f) be convertible at any time into common shares of Avion at a price of ISK 40 per share. On the date that the conversion price for the Avion Convertible Debentures was set at ISK 40 per share, the shares of Avion closed at ISK 32.9, and on the day prior, such shares closed at ISK 33. The obligations of Avion under the Avion Convertible Debentures and the Avion Subscription Agreement shall be an unconditional obligation and shall be guaranteed by the Offeror and its holding company and secured by the Security.

20. The Junior Credit Facilities and the Avion Convertible Debentures have been entered into to fund the Offer and not for the purpose of increasing the consideration payable to KingStreet for its Units.

21. CIBC World Markets and RBC Capital Markets are financial advisors to Avion and the Offeror in connection with the Offer. CIBC World Markets has provided its opinion to the Board of Directors of the Offeror, and RBC Capital Markets has provided its view to Avion, that the material financial terms of the Junior Credit Facilities and the Avion Convertible Debentures, taken as a whole, and in their experience, are commercially reasonable to the Offeror in the context of the Offer.

22. The terms of the Junior Credit Facilities and the Avion Convertible Debentures are not unusual for subordinated debt financings and the financing provided by KingStreet pursuant to the Junior Credit Facilities and the Avion Convertible Debentures is unrelated to the transfer of its Units under the Offer.

Decision

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

The decision of the Decision Makers pursuant to the Legislation is that the Requested Relief is granted.

"Robert W. Davies"
Ontario Securities Commission

"Suresh Thakrar"
Ontario Securities Commission

2.1.7 Fiera Capital Management Inc. and YMG Capital Management Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Multilateral Instrument 33-109 Registration Information (MI 33-109) – relief from certain filing requirements of MI 33-109 in connection with a bulk transfer of business locations and registered and non-registered individuals under an amalgamation.

Applicable Ontario Statutory Provisions

Multilateral Instrument 33-109 Registration Information.

October 6, 2006

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

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR EXEMPTIVE RELIEF APPLICATIONS ("MRRS")

AND

IN THE MATTER OF
FIERA CAPITAL MANAGEMENT INC. ("Fiera")

AND

YMG CAPITAL MANAGEMENT INC. ("YMG")
(YMG, together with Fiera, the "Filers")

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the "**Decision Maker**") in each of the Jurisdictions has received an application from the Filers for a decision under the securities legislation of the Jurisdictions (the "**Legislation**") exempting the Filers from requirements of Regulation 33-109Q *Respecting Registration Information* and National Instrument 33-109 *Registration Information* (collectively, "**33-109**") so as to permit the Filers to bulk transfer to a new entity created for the Filers under the National Registration Database ("**NRD**"), the office locations and certain registered and non-registered individuals that are associated on NRD with the Filers (the "**Affected Locations and Individuals**") following the vertical short form amalgamation of the Filers under the provisions of Section 184(1) of the *Canada Business Corporations Act* (the "**CBCA**") into a new entity on October 1, 2006 (the "**Amalgamation**") to pursue each corporation's business activities under the corporate name Fiera YMG Capital Inc. ("**New Fiera**") (the "**Requested Relief**");

Under the MRRS:

a) the Autorité des marchés financiers 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 herein unless they are defined in this decision.

Representations

This decision is based on the following statements presented by the Filers:

Fiera

1. Founded in 2003, Fiera provides investment management services to a diverse clientele composed largely of institutional investors, mutual funds, religious congregations, foundations and private wealth portfolios. Fiera is incorporated under the CBCA. Fiera is registered in:

Alberta	as	Portfolio Manager and Investment Counsel (Exchange Contracts)
British Columbia	as	Portfolio Manager and Investment Counsel (Securities)
Saskatchewan	as	Investment Counsel and Portfolio Manager
Manitoba	as	Portfolio Manager (Securities) Adviser (Commodities)
Ontario	as	Limited Market Dealer Investment Counsel and Portfolio Manager Commodity Trading Manager
Québec	as	Adviser with an Unrestricted Practice (including derivatives)
New Brunswick	as	Portfolio Manager and Investment Counsel

Nova Scotia	as	Investment Counsel and Portfolio Manager
Newfoundland and Labrador	as	Portfolio Manager and Investment Manager
Prince-Edward-Island	as	Adviser – Investment Counsel/Portfolio Manager
Northwest Territories	as	Investment Counsel and Portfolio Manager
Nunavut	as	Investment Counsel and Portfolio Manager
Yukon	as	Investment Counsel and Portfolio Manager

YMG

2. YMG (or its earliest predecessor) was founded in 1983. It provides investment management services to a diverse clientele composed largely of institutional investors, mutual funds, religious congregations, foundations and private wealth portfolios. YMG is incorporated under the CBCA. YMG is registered in:

Alberta	as	Portfolio Manager and Investment Counsel
British Columbia	as	Portfolio Manager (Securities)
Manitoba	as	Portfolio Manager
Ontario	as	Limited Market Dealer Investment Counsel and Portfolio Manager Commodity Trading Manager
Québec	as	Adviser with an Unrestricted Practice (with an exemption having a place of business in Québec)
Nova Scotia	as	Investment Counsel and Portfolio Manager
Northwest Territories	as	Investment Counsel and Portfolio Manager

Proposed Amalgamation

3. Fiera and YMG will amalgamate on or about October 1, 2006.

4. Upon the Amalgamation, all of the issued and outstanding shares in the capital of YMG, the entirety of which being held by Fiera, will be cancelled without reimbursement of capital. Furthermore, the articles of amalgamation will be identical to Fiera's constituting act. Moreover, New Fiera, the corporation resulting from the amalgamation under the corporate name Fiera YMG Capital Inc., will not make any changes among its senior executive and will not issue any shares nor any debt security at the time of the Amalgamation.

5. At the date appearing on the certificate of amalgamation, the amalgamating corporations will obviously continue their existence as one and the same corporation. This corporation will possess the rights of the amalgamating corporations and shall assume their obligations as well.

6. For the purposes of NRD, the successor registrant to Fiera and YMG shall be New Fiera.

7. Fiera and YMG are organizing the bulk transfer on NRD of all Affected Locations and Individuals to New Fiera (the "**Bulk Transfer**").

8. It would be unduly onerous and time-consuming to individually transfer all Affected Locations and Individuals to New Fiera as per the requirements set out in 33-109, having regard to the fact that there should be no change to the individuals' employment or responsibilities and that each individual to be transferred from YMG and Fiera will be transferred under the same category. Moreover, it is imperative that the transfer of the Affected Locations and Individuals occur on the same date, in order to ensure that there is no break in registration.

9. The Filers have informed their representatives that, following theamalgamation, the representatives will be employed in the same capacity by New Fiera.

10. The Amalgamation will not be contrary to the public interest and will have no negative consequences on the ability of New Fiera to comply with all applicable regulatory requirements or the ability to satisfy any obligations to clients of New Fiera.

11. Fiera and YMG, to the best of their knowledge, are not in default of any of the requirements of the Legislation of any of the Jurisdictions.

Decision

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

The decision of the Decision Makers pursuant to the Legislation is that the Requested Relief is granted, and the following requirements of the Legislation shall not apply to Fiera and YMG in respect of the Affected Locations and Individuals that will be bulk transferred from Fiera and YMG to New Fiera:

a. the requirement to submit a notice regarding the termination of each employment, partner or agency relationship under section 4.3 of 33-109;

b. the requirement to submit a notice regarding each individual who ceases to be a non-registered individual under section 5.2 of 33-109;

c. the requirement to submit a registration application for each individual applying to become a registered individual under section 2.2 of 33-109;

d. the requirement to submit a Form 33-109F4 for each non-registered individual under section 3.3 of 33-109; and

e. the requirement under section 3.2 of 33-109 to notify the regulator of a change to the business location information in Form 33-109F3.

provided that the Filers make acceptable arrangements with CDS INC. for the payment of the costs associated with the Bulk Transfer, and make such payment in advance of the Bulk Transfer.

Executive Director, Distribution

"Nancy Chamberland", Notary

2.1.8 Trizec Canada 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.

October 19, 2006

Davies Ward Phillips & Vineberg LLP
1, First Canadian Place
Suite 4400
Toronto, ON M5X 1B1

ATTN: Philippe C. Rousseau

Re: Trizec Canada Inc. – Application to Cease to be a Reporting Issuer under the securities legislation of the provinces of Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Newfoundland and Labrador and Nova Scotia (the "Jurisdictions")

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

As the Applicant has represented to the Decision Makers that:

- the outstanding securities of the Applicant, including debt securities, are beneficially owned, directly or indirectly, by less than 15 security holders in each of the jurisdictions in Canada and less than 51 security holders in total in Canada;
- no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101 Marketplace Operation;
- the Applicant is applying for relief to cease to be a reporting issuer in all of the Jurisdictions in which it is currently a reporting issuer; and
- the Applicant is not in default of any of its obligations under the Legislation as a reporting issuer,

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

“Erez Blumberger”
Assistant Manager, Corporate Finance
Ontario Securities Commission

2.1.9 CEM International Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – relief from take-over bid requirements – no statutory exemption are available in the event of share transfer to settle a litigation – no cash consideration is paid – no other shareholders since there are not involved in the litigation –upon the share transfer the litigation will settle.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 95-103, 104(2)(c).

October 6, 2006

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
THE PROVINCES OF
ONTARIO AND QUÉBEC (the Jurisdictions)

AND

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

AND

IN THE MATTER OF
CEM INTERNATIONAL INC. (the Filer or CEM)

MRRS DECISION DOCUMENT

Background

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

- The Filer be exempted from the take-over bid requirements contained in the Legislation in connection with the acquisition by the Filer of an aggregate 2,877,909 common shares in the share capital of Mindready Solutions Inc. (**Mindready**) from UTT Pharma Inc. (**Pharma**), 4130944 Canada Inc. (**Canada Inc.**), Claude Dumoulin, Stephen Mitchell, Neils Fogt and Anthony Orlando (Messrs. Dumoulin, Mitchell, Fogt and Orlando are referred to as the **Management Holders**) (the **Requested Relief**).

Under the Mutual Reliance Review System for Exemptive Relief Application

a) The Autorité des marches financiers is the principal regulator for this application, and

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

Interpretation

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

Representations

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

1. Mindready is incorporated under the *Canada Business Corporations Act*, with its head office situated at 2800 Marie-Curie Avenue, Montreal Quebec, H4S 2C2. Mindready is a reporting issuer under the Legislation.

2. Mindready's authorized share capital consists of an unlimited number of common shares. There are currently 28,849,330 outstanding shares of Mindready.

3. Mindready's common shares are listed on the Toronto Stock Exchange.

4. The Filer is a company incorporated in the State of Delaware with its head office situated at Terminal Tower 50 Public Square, Suite 2700, Cleveland, Ohio 44113 USA,

5. The Filer is not a reporting issuer under the Legislation.

6. The Filer currently owns 5,472,600 common shares of Mindready.

7. The Filer is owned by Morgenthaler Partners VI L.P. (**Morgenthaler**).

8. On November 15, 2005, Mindready, Pharma, Canada Inc., the Filer, the Offenberg Trust and certain other shareholders of UTTC United Tri-Tech Corporation (**UTTC**) entered into a share purchase agreement, pursuant to which Mindready agreed to purchase all of the outstanding securities of UTTC (the **Share Purchase Agreement**). As consideration for the purchase of the UTTC securities, Mindready agreed to issue common shares of Mindready and warrants to purchase common shares of Mindready.

9. The transactions contemplated by the Share Purchase Agreement closed on November 30, 2005.

10. On March 23, 2006, Mindready filed an action in Superior Court, Province of Québec, District of Montreal, case number 500-17-030185-063, against the Filer, Morgenthaler, Pharma, Canada

Inc., the Offenberg Familly Trust, the Management Holders, Joe Ippoliti, Gilles Charbonneau, John Lutsi and William E. Offenberg (the **Mindready Litigation**), which was seeking the annulment of the Share Purchase Agreement and the related agreement on the basis that the representations and warranties contained therein were inaccurate.

11. The Filer, John Lutisi, William E. Offenberg, the Offenberg Family Trust and Morgenthaler (the **Morgenthaler Releasors**) contested the Mindready Litigation. The Morgenthaler Releasors were to issue a counterclaim against Mindready and an action in warranty against the other former shareholders of UTTC for damages, on the basis that any losses suffered by Mindready as a result of the Mindready Litigation were the result of actions undertaken by Joe Ippoliti and other persons under his control and supervision. Joe Ippoliti is the founder of Pharma and owned stock of UTTC through Pharma and Canada Inc. Joe Ippoliti was the President and CEO of UTTC until February 2006. The Filer was prepared to seek damages from Joe Ippoliti, Gilles Charbonneau and the Management Holders.

12. All the parties agreed to settle the Mindready Litigation as well as all other claims related thereto without any admission of liability.

13. In that respect, the parties entered into two (2) settlement agreements i) the Mindready Debt Settlement Agreement and ii) the CEM Share Settlement Agreement on June 22, 2006.

14. Pursuant to the terms and conditions of the CEM Share Settlement Agreement, the Filer agreed to release Joe Ippoliti, Gilles Charbonneau and the Management Holders from any liability to the Filer and Morgenthaler related to the claims described in paragraphs above. In consideration for such release by Morgenthaler, each of Pharma, Canada Inc. and the Management Holders agree to transfer an aggregate of 2,877,909 common shares of Mindready to the Filer.

Decision

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

The decision of the Decision Makers under the Legislation is that the Requested Relief is granted.

"Josée Deslauriers"
Directrice des marchés des capitaux

2.1.10 Park Hill Real Estate Group LLC - s. 6.1(1) of MI 31-102 National Registration Database and s. 6.1 of Rule 13-502 Fees

Headnote

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

Statutes Cited

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

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

AND

IN THE MATTER OF
PARK HILL REAL ESTATE GROUP LLC

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

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

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

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

1. The Applicant was incorporated under the laws of the state of Delaware in the United States of America. The head office of the Applicant is located in New York, New York. The Applicant is not a reporting issuer. The Applicant is currently seeking registration under the Ontario *Securities Act* in the category of international dealer.

2. MI 31-102 requires that all registrants in Canada enrol with CDS Inc. (CDS) and use the national registration database (NRD) to complete certain

registration filings. As part of the enrolment process, registrants are required to open an account with a member of the Canadian Payments Association from which fees may be paid with respect to NRD by electronic pre-authorized debit (electronic funds transfer or, the EFT Requirement).

3. The Applicant anticipates encountering difficulties in setting up its own Canadian based bank account for purposes of fulfilling the EFT Requirement.

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

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

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

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

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

A. makes acceptable alternative arrangements with CDS for the payment of NRD fees and makes such payment within ten (10) business days of the date of the NRD filing or payment due date;

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

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

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

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

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

October 20, 2006

"David M. Gilkes"

2.1.11 Canadian Imperial Bank of Commerce and CIBC World Markets Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Relief from the prospectus and registration requirements granted for trades in negotiable promissory notes and commercial paper (short-term debt instruments). The short-term debt instruments may not meet the "approved credit rating" requirement contained in the short-term debt exemption in section 2.35 of National Instrument 45-106 Prospectus and Registration Exemptions (NI 45-106). The definition of an "approved credit rating" requires, among other things, that every rating of the short-term debt instrument be at or above a prescribed standard. The relief is granted provided the short-term debt instrument:

(i) matures not more than one year from the date of issue;

(ii) is not convertible or exchangeable into or accompanied by a right to purchase another security other than a short-term debt instrument; and

(iii) has a rating issued by one of the following rating organizations at or above one of the following rating categories: DBRS: "R-1(low); Fitch: "F2"; Moody's: "P-2" or S&P: "A-2".

The relief will terminate on the earlier of 90 days upon an amendment to section 2.35 of NI 45-106 or three years from the date of the decision.

Applicable Ontario Statutory Provisions

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

October 23, 2006

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

AND

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

AND

IN THE MATTER OF
CANADIAN IMPERIAL BANK OF COMMERCE (CIBC)
AND CIBC WORLD MARKETS INC.
(CIBC WORLD MARKETS)
(the Filers)

MRRS DECISION DOCUMENT

Background

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

(a) exempting CIBC from the dealer registration requirement in respect of a trade in a negotiable promissory note or commercial paper maturing not more than one year from the date of issue (together **Commercial Paper**); and

(b) exempting CIBC and CIBC World Markets from the prospectus requirement in respect of the distribution of the Commercial Paper,

(collectively, the **Requested Relief**).

Under the Mutual Reliance Review System for Exemptive Relief Applications

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

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

Interpretation

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

Representations

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

1. CIBC is a bank listed on Schedule I of the *Bank Act* (Canada). The head office of CIBC is located in Toronto, Ontario.

2. CIBC is a reporting issuer in each Jurisdiction having such a concept. CIBC is not in default of any of its obligations as a reporting issuer under the Legislation in any such Jurisdiction.

3. CIBC is not registered as a dealer or adviser under the Legislation in any Jurisdiction.

4. CIBC World Markets is a corporation governed by the laws of Ontario. The head office of CIBC World Markets is located in Toronto, Ontario.

5. CIBC World Markets is a wholly-owned subsidiary of CIBC. CIBC World Markets is registered as an investment dealer in each Jurisdiction having such concept.

6. The Filers trade in and distribute Commercial Paper in the Jurisdictions through the purchase of Commercial Paper as principal for their own account or with a view to distribution or as agents for certain issuers.

7. Paragraph 2.35(1)(b) of National Instrument 45-106 *Prospectus and Registration Exemptions* ("**NI 45-106**") provides an exemption from the dealer registration requirement and prospectus requirement for a trade in Commercial Paper (the "**Short-term Debt Exemption**") where, among other things, the Commercial Paper "has an approved credit rating from an approved credit rating organization".

8. NI 45-106 incorporates by reference the definitions for "approved credit rating" and "approved credit rating organization" that are used in National Instrument 81-102 *Mutual Funds* ("**NI 81-102**"). The definition of an "approved credit rating" in NI 81-102, requires, among other things, that (a) the rating assigned to such debt must be "at or above" certain prescribed short-term ratings, and (b) such debt must not have been assigned a rating by any "approved credit rating organization" that is not an "approved credit rating".

9. The Filers have in the past traded and propose in the future to trade in Commercial Paper with the following general characteristics:

   (a) it matures not more than one year from the date of issue;

   (b) it is not convertible or exchangeable into or accompanied by a right to purchase another security other than Commercial Paper; and

   (c) it has a credit rating from at least one of the following credit rating organizations at or above one of the following rating categories listed below:

Rating Organization	Rating
Dominion Bond Rating Service Limited	R-1 (low)
Fitch Ratings Ltd.	F2
Moody's Investors Service	P-2
Standard & Poor's	A-2

10. The Commercial Paper may have a lower rating than required by the Short-term Debt Exemption and accordingly, the Short-term Debt Exemption may not be available.

Decision

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

The decision of the Decision Makers under the Legislation is that the Requested Relief is granted provided that the Commercial Paper:

(a) matures not more than one year from the date of issue;

(b) is not convertible or exchangeable into or accompanied by a right to purchase another security other than Commercial Paper; and

(c) has a rating issued by one of the following rating organizations, or any of their successors, at or above one of the following rating categories or a rating category that replaces a category listed below:

Rating Organization	Rating
Dominion Bond Rating Service Limited	R-1 (low)
Fitch Ratings Ltd.	F2
Moody's Investors Service	P-2
Standard & Poor's	A-2

For each Jurisdiction, this decision will terminate on the earlier of:

(a) 90 days after the coming into force of any rule, other regulation or blanket order or ruling under the Legislation of the Jurisdiction that amends section 2.35 of NI 45-106 or provides an alternative exemption; and

(b) three years from the date of this decision.

"Paul M. Moore"
Vice-Chair

"Harold P. Hands"
Commissioner

2.1.12 Imerys S.A. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Application for relief from the dealer registration requirement and prospectus requirement in respect of certain trades made in connection with an employee share offering by a French issuer. The offering involves the use of collective employee shareholding vehicles, each a fonds commun de placement d'enterprise (FCPE). The issuer cannot rely on the employee exemption in section 2.24 of National Instrument 45-106 Prospectus and Registration Exemptions as the shares are not being offered to Canadian participants directly by the issuer, but through the FCPEs. The offering does not contain a "leveraged fund" component. Canadian participants will not be induced to participate in the offering by expectation of employment or continued employment. Canadian participants will receive certain disclosure documents. The FCPEs are subject to the supervision of the French Autorité des marchés financiers. Relief granted, subject to conditions.

Application for relief from the dealer registration requirement and adviser registration requirement for the manager of the FCPEs. The manager will not be involved with providing advice to Canadian participants and its activities do not affect the underlying value of the shares being offered. Relief granted in respect of specified activities of the manager, subject to conditions.

Applicable Ontario Statutory Provisions

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

Instruments Cited

National Instrument 45-106 Prospectus and Registration Exemptions, s. 2.24.

October 17, 2006

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA, NEW BRUNSWICK,
ONTARIO AND QUEBEC
(the "Jurisdictions")

AND

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

AND

IN THE MATTER OF
IMERYS S.A.
(the "Filer")

MRRS DECISION DOCUMENT

Background

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

(1) an exemption from the dealer registration requirements and the prospectus requirements of the Legislation so that such requirements do not apply to trades in units ("Units") of two French collective employee shareholding vehicles (the "Intermediary Fund" and the "Fund", collectively the "Funds", each a *fonds commun de placement d'entreprise* or "FCPE") made pursuant to the global employee share offering of the Filer (the "Employee Offering") to or with Qualifying Employees (as defined below) resident in the Jurisdictions who elect to participate in the Employee Offering (the "Canadian Participants"); and

(2) an exemption from the adviser registration requirements and dealer registration requirements of the Legislation so that such requirements do not apply to the manager of the Funds, BNP Paribas Asset Management SAS (the "Manager"), to the extent that its activities described in paragraph 10 hereof require compliance with the adviser registration requirements and dealer registration requirements,

(collectively, the "Requested Relief").

Under the Mutual Reliance Review System for Exemptive Relief Applications:

(a) the Autorité des marchés financiers is selected as the principal regulator for this application, and

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

Interpretation

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

Representations

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

1. The Filer is a corporation formed under the laws of France. The shares, par value 2€ per share, of the Filer (the "Shares") are listed on the Eurolist market of Euronext Paris. It is not and has no current intention of becoming a reporting issuer (or equivalent) under the Legislation.

2. Imerys Canada LP, Timcal Canada Inc. and "WM Canada Inc. (the "Canadian Affiliates", together with the Filer and other affiliates of the Filer, the "Imerys Group") are direct or indirect controlled subsidiaries of the Filer and are not and have no current intention of becoming reporting issuers under the Legislation.

3. Only persons who are employees of a member of the Imerys Group for a minimum of three (3) months prior to the closing date of the subscription period for the Employee Offering (the "Qualifying Employees") are invited to participate in the Employee Offering.

4. The Funds are FCPEs established by the Manager and the Depositary (as defined below in paragraph 9) to facilitate the participation of Qualifying Employees in the Employee Offering and to simplify custodial arrangements for such participation. The Funds are not and have no current intention of becoming reporting issuers under the Legislation. The Funds are collective shareholding vehicles of a type commonly used in France for the conservation of shares held by employee-investors and must be approved by the French Autorité des marchés financiers (the "French AMF") in order to be created. Only Qualifying Employees are allowed to hold Units of the Funds.

5. The Manager is a portfolio management company governed by the laws of France. The Manager is registered with the French AMF to manage French investment funds and complies with the rules of the French AMF. The Manager is not and has no current intention of becoming a reporting issuer under the Legislation.

6. Qualifying Employees will be invited to participate in the Employee Offering under the following terms:

   (a) Canadian Participants will be issued Units of the Intermediary Fund, which will subscribe for Shares of the Filer on behalf of the Canadian Participants, at a subscription price that is equal to the average of the opening price of the Shares on the Eurolist market of Euronext Paris on the 20 trading days ending on the date preceding the date of approval of the transaction by the board of directors of the Filer (the "Reference Price"), less a 20% discount;

   (b) the Shares will be held in the Intermediary Fund and the Canadian Participant will receive Units in the Intermediary Fund;

   (c) after completion of the Employee Offering, the Intermediary Fund will be merged with the Fund and Units of the Intermediary Fund held by Canadian Participants will be replaced with Units of the Fund. Units of the Intermediary Fund will be exchanged for Units of the Fund on a pro rata basis and the Shares subscribed for under the Employee Offering will be held in the Fund;

   (d) the Units will be subject to a hold period of approximately five years (the "Lock-Up Period"), subject to certain exceptions prescribed by French law (such as a release on death or termination of employment);

   (e) the Units are non-transferable;

   (f) any dividends paid on the Shares held in the Fund will be paid to the Fund. The reinvestment of dividends will result in the increase of the value of the Units;

   (g) at the end of the Lock-Up Period, or in the event of an early unwind resulting from the Canadian Participant exercising one of the exceptions to the Lock-Up Period prescribed by French law, a Canadian Participant may (i) redeem Units in the Fund in consideration for a cash payment per Unit equal to the net assets of the Fund divided by the number of Units outstanding, or (ii) continue to hold Units in the Fund and redeem those Units at a later date; and

   (h) a Canadian Participant may not redeem Units for Shares.

7. Under the Employee Offering, the Canadian Participants will subscribe for Units of the Intermediary Fund which will in turn subscribe for Shares of the Filer and during the offering period the subscription price of one (1) Unit by the Canadian Participants will be equal to the subscription price of one (1) Share by the Intermediary Fund. The Units issued by the Funds will not be listed on any stock exchange.

8. The Funds are established for the purpose of providing Qualifying Employees with the opportunity to indirectly hold an investment in the Shares as co-owners. Each fund's portfolio will consist exclusively of Shares of the Filer and, from time to time, cash in respect of dividends paid on the Shares. From time to time, the portfolios may include cash or cash equivalents that the Funds may hold pending investments in Shares and for purposes of Unit redemptions.

9. Shares issued in the Employee Offering will be held in the Funds through BNP Paribas Securities Services (the "Depositary"). Under French law,

the Depositary must be selected by the Manager from among a limited number of companies identified on a list by the French Minister of the Economy, Finance and Industry and its appointment is one of the elements taken into consideration by the French AMF to approve the setting-up of the Funds. The Depositary carries out orders to purchase, trade and sell securities in the portfolio and takes all necessary action to allow the Funds to exercise the rights relating to the securities held in its portfolio.

10. The Manager's portfolio management activities in connection with the Employee Offering and the Funds are limited to purchasing Shares from the Filer and selling such Shares as necessary in order to fund redemption requests. The Manager is also responsible for preparing accounting documents and publishing periodic informational documents as provided by the rules of the Funds. The Manager's activities will in no way affect the underlying value of the Shares. The Manager will not be involved in providing advice to any Canadian Participant.

11. The initial value of a Unit of the Intermediary Fund is equal to the subscription price of a Share under the Employee Offering. The Unit value of the applicable fund will be calculated and reported to the French AMF on a regular basis, based on the net assets of such fund divided by the number of Units outstanding.

12. Subject to the Lock-Up Period described above, the Funds will redeem Units at the request of the Canadian Participants. The Canadian Participant will be paid on the basis of the Unit value calculated as indicated in paragraph 11 above for the number of redeemed Units, and will be settled by payment in cash only.

13. All management fees and expenses in connection with the Funds will borne by the Filer.

14. There are approximately 84 employees resident in Canada, in the provinces of British Columbia (3), Ontario (1), Quebec (79) and New Brunswick (1), who represent in the aggregate approximately 0.52% of the number of employees worldwide.

15. Canadian Participants will not be induced to participate in the Employee Offering by expectation of employment or continued employment. The total amount invested by a Canadian Participant in the Employee Offering cannot exceed 25% of his or her estimated gross annual compensation for 2006. In addition, each Canadian Participant would be able to subscribe to a maximum of 30 Units.

16. Pursuant to the Employee Offering, Canadian Participants will have the right to pay for the Units:

    a) in full on the acquisition date of the Units; or

    b) in equal monthly instalments over a 12 month period following the acquisition of the Units.

17. None of the Filer, the Manager or any of their employees, agents or representatives will provide investment advice to the Qualifying Employees with respect to an investment in the Shares or the Units.

18. The Canadian Participants will receive an information package in the French or English language, as applicable, which will include a summary of the terms of the Employee Offering and a description of the relevant Canadian income tax consequences. The enrolment form will contain a statement that, as a consequence of this decision, the Units being granted to the Canadian Participants will be subject to the resale restrictions under applicable securities laws. The enrolment form will also contain an acknowledgement by the Canadian Participants that they are aware of the risks involved in purchasing the Units and that they are able to withstand any loss associated with the purchase of the Units. Canadian Participants may consult the 2005 Annual Report posted on the Filer's website (which is the Document de Référence filed with the French AMF on April 6, 2006) and will have continuous access to all materials that the Filer puts at the disposal of its shareholders on its website. In addition, upon request, a copy of the Funds' rules (which are analogous to company statutes) will be available to participating employees.

19. The Units will not be listed on any stock exchange.

20. As of the date hereof and after giving effect to the Employee Offering, Canadian residents do not and will not beneficially own more than 10% of the Shares and do not and will not represent in number more than 10% of the total number of holders of the Shares as shown on the books of the Filer.

Decision

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

The decision of the Decision Makers under the Legislation is that the Requested Relief is granted provided that:

1. the first trade in any Units acquired by Canadian Participants pursuant to this Decision in a Jurisdiction is deemed a

distribution or a primary distribution to the public under the Legislation of such Jurisdiction unless the following conditions are met:

(a) the issuer of the security

(i) was not a reporting issuer in any jurisdiction of Canada at the distribution date, or

(ii) is not a reporting issuer in any jurisdiction of Canada at the date of the trade;

(b) at the distribution date, after giving effect to the issue of the security and any other securities of the same class or series that were issued at the same time as or as part of the same distribution as the security, residents of Canada

(i) did not own directly or indirectly more than 10 percent of the outstanding securities of the class or series, and

(ii) did not represent in number more than 10 percent of the total number of owners directly or indirectly of securities of the class or series; and

(c) the trade is made

(i) through an exchange, or a market, outside of Canada, or

(ii) to a person or company outside of Canada.

2. in Quebec, the required fees are paid in accordance with Section 271.6(1.1) of the Securities Regulation (Quebec), V-1.1, r. 1.

"Josée Deslauriers"
Director, Capital Markets
Autorité des marchés financiers

Claude Lessard
Manager Supervision intermediaries
Autorité des marchés financiers

2.1.13 Sears Canada Inc. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - issuer wants relief from the timing requirements in NI 54-101 relating to record dates and sending materials – major shareholder of issuer to request a shareholders meeting prior to November 15, 2006 to permit major shareholder to comply with terms of support agreement with other shareholders of issuer – major shareholder's outstanding offer for all other shares of the issuer subject to cease trade order – cease trade order partially stayed to permit holding of meeting in light of ongoing appeal process – issuer will publish an advertisement announcing the meeting and advising when and where materials relating to the meeting can be obtained

Applicable Ontario Provisions

National Instrument 54-101 Communication with Beneficial Owners of Securities of a Reporting Issuer, ss. 2.1, 2.2, 2.3, 2.9, 2.12, 9.2.

October 23, 2006

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

AND

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

AND

IN THE MATTER OF
SEARS CANADA INC.
(THE FILER)

MRRS DECISION DOCUMENT

Background

The local securities regulatory authority or regulator (the Decision Maker) in each of the Jurisdictions has received an application from Sears Canada Inc. (the Filer) for a decision under the securities legislation of the Jurisdictions (the Legislation) exempting it from the following requirements in the Legislation (the Requested Relief):

(a) to establish a record date for the Meeting (defined below) of the holders of common shares of Sears Canada (the Shares) at least 30 days before the Meeting,

(b) to send notification of the Meeting and record dates at least 25 days before the record date,

(c) to request beneficial ownership information at least 20 days before the record date for the notice of Meeting, and

(d) to send materials (the Meeting Materials) to the Shareholders at least 21 days before the Meeting.

Under the Mutual Reliance Review System for Exemptive Relief Applications:

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

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

Interpretation

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

Representations

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

1. The Filer is a corporation incorporated under the laws of Canada under the name Simpsons-Sears Limited by letters patent dated September 17, 1952 and was continued under the *Canada Business Corporations Act* (the CBCA) by articles of continuance effective May 15, 1980. By articles of amendment effective May 31, 1984, the Filer changed its name to Sears Canada Inc. The Filer's registered office and head office is in Ontario.

2. The Filer is authorized to issue an unlimited number of Shares and an unlimited number of Class 1 preferred shares, of which approximately 107.6 million Shares (and no Class 1 preferred shares) are currently outstanding. The Filer's issued Shares are listed on the Toronto Stock Exchange. The Filer is a reporting issuer in each of the provinces and territories of Canada and is not in default of any requirements of the Legislation.

3. On February 9, 2006, Sears Holdings Corporation (Sears Holdings) and SHLD Acquisition Corp. commenced a take-over bid (the Offer) for all of the outstanding Shares that it did not already own. On August 8, 2006, the Ontario Securities Commission issued an order cease-trading the Offer, subject to conditions.

4. Sears Holdings and its affiliates hold in aggregate approximately 75.6 million Shares of the Filer, representing approximately 70% of the outstanding Shares. Sears Holdings intends to requisition a special meeting of the Filer's shareholders (the Meeting) under section 143 of the CBCA and to request that the Meeting be held on November 14, 2006.

5. The purpose of the Meeting is to obtain shareholder approval for a subsequent acquisition transaction in connection with the Offer. On October 23, 2006, the Ontario Securities Commission partially stayed the Cease Trade Order to permit Sears Canada to hold the Meeting.

6. The Filer will not fix a record date for notice of the Meeting and therefore, in accordance with the CBCA, the record date for notice of the Meeting will be at the close of business on the day immediately preceding the day on which the Filer gives notice of the Meeting.

7. The Filer will issue a press release and publish advertisements in the English language in the Financial Post and in the French language in Le Devoir not later than October 24, 2006. The press release and advertisements will give notice of the date of the Meeting and the nature of the business to be transacted at the Meeting, and will advise that the Meeting Materials have been or will be mailed to the Corporation's shareholders and are available at www.sedar.com.

8. The Filer will send the Meeting Materials by mail to its shareholders of record not later than October 24, 2006. The Filer will file the Meeting Materials on SEDAR on the date that mailing commences.

9. The Filer will make arrangements to ensure that the Meeting Materials are sent by mail to the beneficial owners of the Filer's common shares not later than October 27, 2006.

Decision

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

The decision of the Decision Makers under the Legislation is that the Requested Relief is granted provided that Sears Canada complies with paragraphs 7, 8 and 9.

“Iva Vranic”
Manager
Ontario Securities Commission

2.2 Orders

2.2.1 Norshield Asset Management (Canada) Ltd. - s. 127

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.

ORDER
(Section 127)

WHEREAS on May 20, 2005, the Ontario Securities Commission (the "Commission") made an order suspending the registration of Norshield Asset Management (Canada) Ltd. ("Norshield") and requiring, as a term and condition of Norshield's registration, that a monitor (the "Monitor") be retained by Norshield to oversee its financial and business affairs (the "Temporary Order");

AND WHEREAS on May 20, 2005, the Commission issued a Notice of Hearing pursuant to section 127 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") to hold a hearing on June 3, 2005, to consider whether it is in the public interest to extend the Temporary Order;

AND WHEREAS on June 2, 2005, on consent, the Commission made an order:

1. imposing the following term and condition on the registration of Norshield:

   "RSM Richter Inc. will act as the Monitor until terminated in accordance with the term of the retainer dated June 1, 2005 or until the Commission orders otherwise"

2. adjourning the hearing to consider whether to extend the Temporary Order until July 8, 2005; and

3. continuing the suspension of Norshield's registration until that time or until such other time as ordered by the Commission;

AND WHEREAS on June 29, 2005, by order of Justice Campbell of the Ontario Superior Court of Justice (Commercial List), RSM Richter Inc. ("Richter") was appointed as receiver over the assets, undertakings and properties of Norshield and other related entities;

AND WHEREAS on July 6, 2005, the Commission made an order pursuant to section 144 of the Act revoking the term of the Commission's order of June 2, 2005, requiring the continued retainer of Richter as Monitor;

AND WHEREAS the hearing to consider the extension of the Temporary Order is scheduled to take place on October 20, 2006;

AND WHEREAS on October 11, 2006, the Commission commenced proceedings under sections 127 and 127.1 of the Act against Norshield and others (the "Proceeding");

AND WHEREAS the Commission is of the opinion that it is in the public interest to make this order;

AND WHEREAS Staff of the Commission and Richter, as receiver over Norshield, consent to the making of this order;

AND WHEREAS by Commission order made September 14, 2006 pursuant to section 3.5(3) of the Act, each of W. David Wilson, Susan Wolburgh Jenah and Paul M. Moore, acting alone, is authorized to make orders under section 127 of the Act;

IT IS HEREBY ORDERED that:

1. the Temporary Order is continued until the Proceeding is concluded and a decision of the Commission is rendered or until the Commission considers appropriate; and

2. any person or company affected by this Order may apply to the Commission for an order revoking or varying the terms of this Order pursuant to section 144 of the Act.

DATED at Toronto this 20th day of October, 2006.

"Wendell S. Wigle"

"David L. Knight"

2.2.2 Olympus United Group Inc. - s. 127

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

AND

IN THE MATTER OF
OLYMPUS UNITED GROUP INC.

ORDER
(Section 127)

AND WHEREAS on May 13, 2005, the Ontario Securities Commission (the "Commission") made a temporary order suspending the registration of Olympus United Group Inc. ("Olympus") because Olympus was operating without a registered trading and compliance officer in Ontario;

AND WHEREAS on May 20, 2005, the Commission made a temporary order imposing a term and condition on the registration of Olympus which precludes redemptions from any existing client accounts;

AND WHEREAS the hearing to consider the extension of the temporary orders made in relation to Olympus on May 13, 2005 and May 20, 2005, is scheduled to take place on October 20, 2006;

AND WHEREAS on June 29, 2005, by order of Justice Campbell of the Ontario Superior Court of Justice (Commercial List), RSM Richter Inc. ("Richter") was appointed as receiver over the assets, undertakings and properties of Norshield, Olympus and other related entities;

AND WHEREAS on October 11, 2006, the Commission commenced proceedings under sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") against Olympus and others (the "Proceedings");

AND WHEREAS Staff of the Commission and Richter, as receiver over Olympus, have consented to the making of this order;

AND WHEREAS by Commission order made September 14, 2006 pursuant to section 3.5(3) of the Act, each of W. David Wilson, Susan Wolburgh Jenah, Paul M. Moore, Robert W. Davis, Harold P. Hands and Paul K. Bates, acting alone, is authorized to make orders under section 127 of the Act;

IT IS HEREBY ORDERED that:

1. the temporary orders made by the Commission on May 13, 2005 and May 20, 2005 are continued until the Proceeding is concluded and a decision of the Commission rendered or until the Commission considers appropriate; and

2. any person or company affected by this Order may apply to the Commission for an order revoking or varying the terms of this Order pursuant to section 144 of the Act.

DATED at Toronto this 20th day of October , 2006.

"Wendell S. Wigle"

"David L. Knight"

2.2.3 The Canadian Depository for Securities Limited and CDS Clearing and Depository Services Inc. – ss. 21.2(1) and s. 144 of the Act and Part VI of the OBCA

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

AND

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

AND

**IN THE MATTER OF
THE CANADIAN DEPOSITORY
FOR SECURITIES LIMITED**

AND

**CDS CLEARING AND DEPOSITORY
SERVICES INC.**

**AMENDMENT TO
RECOGNITION AND DESIGNATION ORDER
(Subsection 21.2(1) and Section 144 of the Act and Part VI of the OBCA)**

WHEREAS the Ontario Securities Commission ("Commission") issued an order dated February 25, 1997 ("1997 Order"), which became effective on March 1, 1997, recognizing The Canadian Depository for Securities Limited ("CDS Ltd.") as a clearing agency pursuant to subsection 21.2(1) of the Act and designating CDS Ltd. as a recognized clearing agency pursuant to Part VI of the OBCA;

AND WHEREAS the Commission issued an order dated July 12, 2005 ("2005 Order") varying and restating the 1997 Order;

AND WHEREAS the Commission issued an order dated January 9, 2006 ("2006 Order") varying the 2005 Order (the 2005 Order, as amended by the 2006 Order, referred to as the "Current Recognition Order");

AND WHEREAS CDS Ltd. has applied for an order pursuant to section 144 of the Act to vary the Current Recognition Order;

AND WHEREAS CDS Ltd. plans to restructure its businesses on or after November 1, 2006 ("Restructuring Date") into separate operating subsidiaries, one of which will be CDS Clearing and Depository Services Inc. ("CDS Clearing");

AND WHEREAS CDS Clearing shall assume responsibility for all of the existing securities clearing, settlement, and depository services ("Settlement Services") and necessary assets and liabilities from CDS Ltd.;

AND WHEREAS CDS Ltd., pursuant to unanimous shareholder agreement ("USA"), will be given the power to manage or supervise the management of CDS Clearing and will acquire all the rights, powers, duties and liabilities of the directors of CDS Clearing, and the directors of CDS Clearing are relieved of their rights, powers, duties and liabilities to the same extent;

AND WHEREAS CDS Ltd. shall provide certain support functions to CDS Clearing, including information technology development, maintenance and operations, legal services, risk management, financial management and support, human resources, internal audit, facilities management, and executive governance and communications, and such provision of support functions shall be governed by a services agreement between CDS Ltd. and CDS Clearing;

AND WHEREAS the Commission has received certain other representations and undertakings from CDS Ltd. and CDS Clearing in connection with the application of CDS Ltd. to vary the Current Recognition Order;

AND WHEREAS the Commission considers it appropriate to set out in the order terms and conditions for the recognition of each of CDS Ltd. and CDS Clearing as a clearing agency under the Act, which terms and conditions are set out in Schedule "A" attached;

AND WHEREAS the Commission considers that, for the purposes of the terms and conditions set out in Schedule “A”, and for the duration of the USA, the board of directors of CDS Ltd. shall be considered to be the board of directors of CDS Clearing;

AND WHEREAS CDS Ltd. and CDS Clearing have each agreed to the respective terms and conditions as set out in Schedule "A";

AND WHEREAS the terms and conditions set out in Schedule "A" may be varied or waived by the Commission;

AND UPON the Commission being of the opinion that it is not prejudicial to the public interest to vary the Current Recognition Order;

AND UPON the Commission being satisfied that it is in the public interest to continue to recognize CDS Ltd. as a clearing agency pursuant to subsection 21.2(1) of the Act;

AND UPON the Commission wishing to continue to designate CDS Ltd. as a recognized clearing agency for the purposes of Part VI of the OBCA;

AND UPON the Commission being satisfied that it is in the public interest to recognize CDS Clearing as a clearing agency pursuant to subsection 21.2(1) of the Act;

AND UPON the Commission wishing to designate CDS Clearing as a recognized clearing agency for the purposes of Part VI of the OBCA;

IT IS ORDERED pursuant to section 144 of the Act that the Current Recognition Order be varied and restated in the form of this order;

THE COMMISSION HEREBY RECOGNIZES each of CDS Ltd. and CDS Clearing as a clearing agency pursuant to subsection 21.2(1) of the Act, subject to the terms and conditions set out in Schedule "A";

AND THE COMMISSION HEREBY DESIGNATES each of CDS Ltd. and CDS Clearing as a recognized clearing agency for the purposes of Part VI of the OBCA.

DATED October 17, 2006, to be effective on the Restructuring Date.

“Paul M. Moore”

“Susan Wolburgh Jenah”

SCHEDULE "A" - TERMS AND CONDITIONS

PART I – CDS Ltd.

1.0 COMPLIANCE OF CDS CLEARING

1.1 CDS Ltd. shall, at all times, ensure that CDS Clearing meets, and is able to meet, all the terms and conditions of this order, as enumerated in Part II of this Schedule “A”.

2.0 GOVERNANCE

2.1 CDS Ltd.'s governance arrangements shall be designed to fulfill public interest requirements and to promote the objectives of its shareholders.

2.2 Without limiting the generality of the foregoing, CDS Ltd.'s governance structure shall provide for:

(a) fair and meaningful representation on its board of directors and any committee of the board of directors;

(b) appropriate representation of persons independent of the shareholders on the board of directors and any committees of the board of directors, and, for such purpose, a person is "independent" if the person is not:

(i) an associate, partner, director, officer or employee of a shareholder of CDS Ltd.,

(ii) an associate, partner, director, officer or employee of a participant of CDS Ltd. or its affiliates or an associate of such director, partner, officer or employee, or

(iii) an officer or employee of CDS Ltd. or its affiliates or an associate of such officer or employee; and

(c) appropriate qualifications, remuneration, conflict of interest guidelines and limitation of liability and indemnification protections for directors, officers and employees of CDS Ltd.

2.3 CDS Ltd. shall not, without the Commission's prior written approval, make significant changes to its governance structure or constating documents.

2.4 CDS Ltd. shall not, without the Commission's prior written approval, enter into any contract, agreement or arrangement that may limit its ability to comply with the terms and conditions contained in this Schedule "A".

3.0 FITNESS

3.1 CDS Ltd. shall take reasonable steps to ensure that each officer or director of CDS Ltd. is a fit and proper person and the past conduct of each officer or director affords reasonable grounds for belief that such person will perform his or her duties with integrity.

4.0 RISK CONTROLS

4.1 CDS Ltd. shall have clearly defined procedures for the management of risk.

4.2 Without limiting the generality of the foregoing:

(a) CDS Ltd. shall perform risk management activities in a manner that prevents the spillover of risk arising from activities in its subsidiaries where such risks might negatively impact the financial viability of CDS Ltd. or CDS Clearing; and

(b) Where CDS Ltd. materially outsources any of its services or systems affecting the Settlement Services to a third party service provider, which shall include affiliates or associates of CDS Ltd., CDS Ltd. shall proceed in accordance with best practices. Without limiting the generality of the foregoing, CDS Ltd. shall:

(i) establish and maintain policies and procedures that are approved by its board of directors for the evaluation and approval of such outsourcing arrangements,

(ii) in entering any such outsourcing arrangement:

A. assess the risk of such arrangement, the quality of the service to be provided and the degree of control to be maintained by CDS Ltd., and

B. execute a contract with the third party service provider addressing all significant elements of such arrangement, including service levels and performance standards,

(iii) ensure that any contract implementing such outsourcing arrangement that is likely to impact the business of CDS Clearing permits the Commission to have access to and inspect all data, information and systems maintained by the third party service provider on behalf of CDS Ltd. for the purposes of determining CDS Ltd.'s compliance with the terms and conditions of this Schedule "A" or securities legislation, and

(iv) monitor the performance of the third party service provider under any such outsourcing arrangement.

5.0 ALLOCATION OF COSTS

5.1 CDS Ltd. shall ensure that the costs for providing services to its subsidiaries are fairly and equitably allocated.

6.0 ALLOCATION OF RESOURCES

6.1 CDS Ltd. shall, subject to paragraph 6.2 and for so long as CDS Clearing carries on business as a clearing agency, allocate sufficient financial and other resources to CDS Clearing to ensure that CDS Clearing can carry out its functions in a manner that is consistent with the public interest and the terms and conditions of Part II of this Schedule “A”.

6.2 CDS Ltd. shall notify the Commission immediately upon becoming aware that it is or will be unable to allocate sufficient financial or other resources to CDS Clearing to ensure that it can carry out its functions in a manner that is consistent with the public interest and the terms and conditions of Part II of this Schedule “A”.

7.0 FINANCIAL VIABILITY

7.1 CDS Ltd. shall maintain sufficient financial and staffing resources to ensure the proper performance of its services.

7.2 For the purpose of monitoring its financial viability, CDS Ltd. shall calculate, on an unconsolidated basis, the following financial ratios:

(a) a debt to cash flow ratio, being the ratio of total debt to EBITDA (earnings before interest, taxes, depreciation and amortization) for the most recent 12 months; and

(b) a financial leverage ratio, being the ratio of total assets to shareholders’ equity.

7.3 If CDS Ltd. fails to maintain, or anticipates it will fail to maintain:

(a) a debt to cash flow ratio less than or equal to 4/1; or

(b) a financial leverage ratio less than or equal to 4/1;

it shall immediately notify Commission staff. If CDS Ltd. fails to maintain either of the debt to cash flow ratio or the financial leverage ratio for a period of more than three months, its Chief Executive Officer will deliver a letter advising the Commission staff of the continued ratio deficiencies and the steps being taken to address the situation.

7.4 On a quarterly basis (together with the financial statements required to be filed pursuant to item 7.5), CDS Ltd. shall report to Commission staff that quarter's monthly calculation of the debt to cash flow ratio and financial leverage ratio.

7.5 CDS Ltd. shall file with Commission staff unaudited quarterly financial statements within 60 days of each quarter end and audited annual financial statements, prepared in accordance with generally accepted accounting principles, within 90 days of each year end. The quarterly and annual financial statements of CDS Ltd. shall be provided on an unconsolidated and consolidated basis. Any annual report provided to shareholders shall be concurrently filed by CDS Ltd. with Commission staff.

8.0 CAPACITY AND INTEGRITY OF SYSTEMS

8.1 CDS Ltd. will operate the systems (“Systems”) for CDS Clearing’s Settlement Services and related business operations. CDS Ltd. shall work in concert with CDS Clearing to ensure that the former will:

(a) on a reasonably frequent basis, and in any event, at least annually:

(i) make reasonable current and future capacity estimates,

(ii) conduct capacity stress tests of the Systems to determine the ability of those Systems to process transactions in an accurate, timely and efficient manner,

(iii) develop and implement reasonable procedures to review and keep current the development and testing methodology of the Systems,

(iv) review the vulnerability of the Systems and data centre computer operations to internal and external threats including breaches of security, physical hazards and natural disasters, and

(v) maintain adequate contingency and business continuity plans;

(b) annually, cause to be performed an independent audit of the operations of the Settlement Services in accordance with generally accepted auditing standards; and

(c) promptly notify Commission staff of material Systems failures and changes.

9.0 INFORMATION SHARING

9.1 CDS Ltd. shall share information and otherwise cooperate with the Commission and its staff, other recognized clearing agencies, recognized exchanges, recognized quotation and trade reporting systems, registered alternative trading systems, recognized self-regulatory organizations, the Canadian Investor Protection Fund and any regulatory authority having jurisdiction over CDS Ltd., subject to any applicable privacy or other laws governing the sharing of information and the protection of personal information, and subject to any confidentiality provisions contained in agreements entered into with the Bank of Canada pertaining to information received from the Bank of Canada in its roles as registrar, issuing agent, transfer agent or paying agent for the Government of Canada.

9.2 CDS Ltd. shall permit the Commission to have access to and inspect all data and information in its possession that is required to assess compliance with the terms and conditions of this Schedule "A" or securities legislation, subject to applicable privacy or other laws governing the sharing of information and the protection of personal information, and subject to any confidentiality provisions contained in agreements entered into with the Bank of Canada pertaining to information received from the Bank of Canada in its roles as registrar, issuing agent, transfer agent or paying agent for the Government of Canada.

9.3 CDS Ltd. shall cause its subsidiary, CDS Clearing, to permit the Commission to have access to and inspect all data and information in its possession that is required to assess compliance with the terms and conditions of this Schedule "A" or securities legislation, subject to applicable privacy or other laws governing the sharing of information and the protection of personal information, and subject to any confidentiality provisions contained in agreements entered into with the Bank of Canada pertaining to information received from the Bank of Canada in its roles as registrar, issuing agent, transfer agent or paying agent for the Government of Canada.

9.4 CDS Ltd. shall comply with Appendix "B" setting out the reporting obligations, as amended from time to time, regarding the reporting of information to the Commission.

PART II – CDS CLEARING

10.0 GOVERNANCE

10.1 CDS Clearing's governance arrangements shall be designed to fulfill public interest requirements and to promote the objectives of its shareholder and the users ("participants") of the Settlement Services.

10.2 Without limiting the generality of the foregoing, CDS Clearing's governance structure shall provide for:

(a) fair and meaningful representation on its board of directors and any committee of the board of directors;

(b) appropriate representation of persons independent of CDS Ltd. and participants on the board of directors and any committees of the board of directors, and, for such purpose, a person is "independent" if the person is not:

(i) an associate, partner, officer or employee of CDS Ltd. or a shareholder of CDS Ltd.,

(ii) an associate, director, partner, officer or employee of a participant of CDS Clearing or its affiliates or an associate of such director, partner, officer or employee, or

(iii) an officer or employee of CDS Clearing or its affiliates or an associate of such officer or employee; and

(c) appropriate qualifications, remuneration, conflict of interest guidelines and limitation of liability and indemnification protections for directors, officers and employees of CDS Clearing.

10.3 CDS Clearing shall not, without the Commission's prior written approval, make significant changes to its governance structure or constating documents.

10.4 CDS Clearing shall not, without the Commission's prior written approval, enter into any contract, agreement or arrangement that may limit its ability to comply with the terms and conditions contained in this Schedule "A".

11.0 FITNESS

11.1 CDS Clearing shall take reasonable steps to ensure that each officer or director of CDS Clearing is a fit and proper person and the past conduct of each officer or director affords reasonable grounds for belief that such person will perform his or her duties with integrity.

12.0 ACCESS

12.1 CDS Clearing shall provide any person or company reasonable access to its Settlement Services where that person or company satisfies the eligibility requirements established by CDS Clearing to access the Settlement Services.

12.2 Without limiting the generality of the foregoing, CDS Clearing shall:

(a) establish written standards for granting access to the Settlement Services; and

(b) keep records of:

(i) each grant of access including, for each participant, the reasons for granting such access, and

(ii) each denial or limitation of access, including the reasons for denying or limiting access to any applicant.

13.0 FEES AND COSTS

13.1 CDS Clearing shall equitably allocate its fees and costs for Settlement Services. The fees shall not have the effect of unreasonably creating barriers to access such Settlement Services and shall be balanced with the criterion that CDS Clearing has sufficient revenues to satisfy its responsibilities.

13.2 CDS Clearing's process for setting fees and costs for Settlement Services shall be fair, appropriate and transparent. The fees, costs or expenses borne by participants in the Settlement Services shall not reflect any cost or expense incurred by CDS Clearing in connection with an activity carried on by CDS Clearing that is not related to the Settlement Services.

14.0 DUE PROCESS

14.1 CDS Clearing shall ensure that:

(a) participants affected by its decisions are given an opportunity to be heard or make representations; and

(b) it keeps a record, gives reasons and provides for appeals of its decisions to regulatory authorities.

15.0 RISK CONTROLS

15.1 CDS Clearing shall have clearly defined procedures for the management of risk which specify the respective responsibilities of CDS Clearing and its participants.

15.2 Without limiting the generality of the foregoing:

(a) Where a central counterparty service is offered by CDS Clearing, CDS Clearing shall rigorously control the risks it assumes;

(b) CDS Clearing shall reduce principal risk to the greatest extent possible by linking securities transfers to funds transfers in a way that achieves delivery-versus-payment;

(c) Final settlement shall occur no later than the end of the settlement day and intraday or real-time finality should be provided where necessary to reduce risks;

(d) Where CDS Clearing extends intraday credit to participants, including where it operates a net settlement system, it shall institute risk controls that, at a minimum, ensure timely settlement in the event that the participant with the largest payment obligation is unable to settle;

(e) Assets accepted by CDS Clearing used to settle the ultimate payment obligations arising from securities transactions shall carry little or no credit or liquidity risk. If same-day, irrevocable final funds are not used, CDS Clearing shall take steps to protect participants in Settlement Services from potential losses and liquidity pressures arising from the failure of the payor or its paying agent;

(f) Where CDS Clearing establishes links to settle cross-border trades, it shall design and operate such links to reduce effectively the risks associated with cross-border settlements;

(g) CDS Clearing shall only provide services that are governed by the participant rules; and

(h) Where CDS Clearing materially outsources any of its Settlement Services to a third party service provider, which shall include affiliates or associates of CDS Clearing, CDS Clearing shall proceed in accordance with best practices. Without limiting the generality of the foregoing, CDS Clearing shall:

(i) establish and maintain policies and procedures that are approved by its board of directors for the evaluation and approval of such outsourcing arrangements,

(ii) in entering any such outsourcing arrangement:

A. assess the risk of such arrangement, the quality of the service to be provided and the degree of control to be maintained by CDS Clearing, and

B. execute a contract with the third party service provider addressing all significant elements of such arrangement, including service levels and performance standards,

(iii) ensure that any contract implementing such outsourcing arrangement permits the Commission to have access to and inspect all data, information and systems maintained by the third party service provider on behalf of CDS Clearing for the purposes of determining CDS Clearing's compliance with the terms and conditions of this Schedule "A" or securities legislation, and

(iv) monitor the performance of the third party service provider under any such outsourcing arrangement.

16.0 FINANCIAL VIABILITY

16.1 CDS Clearing shall maintain sufficient financial resources to ensure the proper performance of the Settlement Services.

16.2 CDS Clearing shall notify Commission staff as soon as practicable of any decision made to retain all or part of its transaction volatility premiums collected or to be collected.

16.3 For the purpose of monitoring its financial viability, CDS Clearing shall calculate the following financial ratios:

(a) a debt to cash flow ratio, being the ratio of total debt to EBITDA (earnings before interest, taxes, depreciation and amortization) for the most recent 12 months; and

(b) a financial leverage ratio, being the ratio of total assets less customer deposits to shareholders' equity.

16.4 If CDS Clearing fails to maintain, or anticipates it will fail to maintain:

(a) a debt to cash flow ratio less than or equal to 4/1; or

(b) a financial leverage ratio less than or equal to 4/1;

it shall immediately notify Commission staff. If CDS Clearing fails to maintain either of the debt to cash flow ratio or the financial leverage ratio for a period of more than three months, its Chief Executive Officer will deliver a letter advising the Commission staff of the continued ratio deficiencies and the steps being taken to address the situation.

16.5 On a quarterly basis (together with the financial statements required to be filed pursuant to item 16.6), CDS Clearing shall report to Commission staff that quarter's monthly calculation of the debt to cash flow ratio and financial leverage ratio.

16.6 CDS Clearing shall file with Commission staff unaudited quarterly financial statements within 60 days of each quarter end and audited annual financial statements, prepared in accordance with generally accepted accounting principles, within 90 days of each year end.

17.0 OPERATIONAL RELIABILITY

17.1 CDS Clearing shall adopt procedures and processes that, on an ongoing basis, ensure the provision of accurate and reliable Settlement Services to participants.

17.2 CDS Clearing shall assist CDS Ltd. in the annual filing, by CDS Ltd., and in accordance with CDS Ltd.'s obligation under section 8.1 of Part I of this Schedule "A", in the audit to Commission staff.

18.0 CAPACITY AND INTEGRITY OF SYSTEMS

18.1 For its Systems CDS Clearing shall, or in the case of a third party service provider providing or maintaining such Systems, CDS Clearing shall require that the service provider shall:

(a) on a reasonably frequent basis, and in any event, at least annually:

(i) make reasonable current and future capacity estimates,

(ii) conduct capacity stress tests of the Systems to determine the ability of those Systems to process transactions in an accurate, timely and efficient manner,

(iii) develop and implement reasonable procedures to review and keep current the development and testing methodology of the Systems,

(iv) review the vulnerability of the Systems and data centre computer operations to internal and external threats including breaches of security, physical hazards and natural disasters, and

(v) maintain adequate contingency and business continuity plans;

(b) annually, cause to be performed an independent audit of the operations of the Settlement Services in accordance with generally accepted auditing standards; and

(c) promptly notify Commission staff of material Systems failures and changes.

19.0 PROTECTION OF CUSTOMERS' SECURITIES

19.1 CDS Clearing shall employ securities depository, account maintenance and accounting practices and safekeeping procedures that protect participants' securities.

20.0 RULES

20.1 CDS Clearing shall establish rules, operating procedures, user guides, manuals or similar instruments or documents (collectively, "rules") that are necessary or appropriate to govern, regulate, and set out all aspects of the Settlement Services offered by CDS Clearing.

20.2 The rules shall be consistent with the general goals of:

(a) ensuring compliance with securities legislation;

(b) fostering co-operation and co-ordination with self-regulatory organizations and persons or companies operating marketplaces, clearing and settlement systems and other systems that facilitate the processing of securities transactions and safeguarding of securities; and

(c) controlling systemic risk.

20.3 The rules will not:

(a) permit unreasonable discrimination among participants; or

(b) impose any burden on competition that is not necessary or appropriate in furtherance of compliance with securities legislation or the objects and mandate of the clearing agency.

20.4 CDS Clearing's rules and the process for adopting new rules or amending existing rules shall be transparent to participants and the general public.

20.5 CDS Clearing shall file with the Commission all rules and amendments to the rules and comply with the rule protocol attached as Appendix "A" to this Schedule, as amended from time to time.

21.0 ENFORCEMENT OF RULES AND DISCIPLINE

21.1 The rules of CDS Clearing shall set out appropriate sanctions in the event of non-compliance by participants.

21.2 CDS Clearing shall reasonably monitor participant activities and impose sanctions to ensure compliance by participants with its rules.

22.0 INFORMATION SHARING

22.1 CDS Clearing shall share information and otherwise cooperate with the Commission and its staff, other recognized clearing agencies, recognized exchanges, recognized quotation and trade reporting systems, registered alternative trading systems, recognized self-regulatory organizations, the Canadian Investor Protection Fund and any regulatory authority having jurisdiction over CDS Clearing, subject to any applicable privacy or other laws governing the sharing of information and the protection of personal information, and subject to any confidentiality provisions contained in agreements entered into with the Bank of Canada pertaining to information received from the Bank of Canada in its roles as registrar, issuing agent, transfer agent or paying agent for the Government of Canada.

22.2 CDS Clearing shall permit the Commission to have access to and inspect all data and information in its possession that is required to assess compliance with the terms and conditions of this Schedule "A" or securities legislation, subject to applicable privacy or other laws governing the sharing of information and the protection of personal information, and subject to any confidentiality provisions contained in agreements entered into with the Bank of Canada pertaining to information received from the Bank of Canada in its roles as registrar, issuing agent, transfer agent or paying agent for the Government of Canada.

22.3 CDS Clearing shall comply with Appendix "B" to this Schedule setting out the reporting obligations, as amended from time to time, regarding the reporting of information to the Commission.

APPENDIX "A"

**RULE PROTOCOL REGARDING
THE REVIEW AND APPROVAL OF
CDS CLEARING AND DEPOSITORY SERVICES INC.
RULES BY THE ONTARIO SECURITIES COMMISSION**

1. Purpose of the Protocol

On October 17, 2006, the Ontario Securities Commission (“Commission”) issued a varied and restated recognition and designation order (“Recognition Order”) with terms and conditions governing the recognition of each of The Canadian Depository for Securities Limited and CDS Clearing and Depository Services Inc. (“CDS Clearing”) as a clearing agency pursuant to subsection 21.2(1) of the *Securities Act* (Ontario). To comply with the Recognition Order, CDS Clearing must file, among other things, its rules with the Commission for approval. This protocol sets out the procedures for the submission of a rule by CDS Clearing and the review and approval of the rule by the Commission.

2. Definitions

In this protocol:

"rule" means a proposed new or amendment to or deletion of a participant rule, operating procedure, user guide, manual or similar instrument or document of CDS Clearing which contains any contractual term setting out the respective rights and obligations between CDS Clearing and participants or among participants.

All other terms have the respective meanings ascribed to them in the Recognition Order and in securities legislation as that term is defined in NI 14-101.

3. Classification of Rules

CDS Clearing will classify a rule as either "material" or "technical/housekeeping" for the purposes of the approval process set out in this protocol.

(a) Technical/Housekeeping Rules

For the purpose of this protocol, a rule will be classified as "technical/housekeeping" if the rule involves only:

(i) matters of a technical nature in routine operating procedures and administrative practices relating to the settlement services;

(ii) consequential amendments intended to implement a material rule that has been published for comment pursuant to this protocol which only contain material aspects already contained in the material rule or disclosed in the notice accompanying the material rule;

(iii) amendments required to ensure consistency or compliance with an existing rule, securities legislation or other regulatory requirement;

(iv) the correction of spelling, punctuation, typographical or grammatical mistakes or inaccurate cross-referencing; or

(v) stylistic formatting, including changes to headings or paragraph numbers.

(b) Material Rules

A rule that is not a technical/housekeeping rule, as defined above, would be classified as a "material" rule.

4. Procedures for Review and Approval of Material Rules

(a) Prior Notice of a Significant Material Rule

If CDS Clearing is developing a material rule that it anticipates will result in a significant change in its policy, will require amendments to a significant number of rules or may be the subject of significant public comment as a result of publication, then CDS Clearing will notify Commission staff in writing at least 30 calendar days prior to submitting such a significant material rule. The purpose of such prior notification is to enable the Commission to react in a timely manner to the material rule upon filing.

Prior notification shall not be interpreted as an opportunity for Commission staff to participate in CDS Clearing policy development. Commission staff will not begin a formal review of the material rule until all relevant documents have been filed.

(b) Documents to be Filed

For a material rule, CDS Clearing will file with the Commission the following documents electronically, or by other means as agreed to by Commission staff and CDS Clearing from time to time:

(i) a cover letter that indicates the classification of the rule and the rationale for that classification and includes a statement that the rule is not contrary to the public interest;

(ii) the rule and, where applicable, a blacklined version of the rule indicating the proposed changes to an existing rule;

(iii) a notice of publication to be published by the Commission in the OSC Bulletin that contains the following information:

A. a description of the rule,

B. a concise statement, together with supporting analysis, of the nature and purpose of the rule,

C. a description and analysis of the possible effects of such rule on CDS Clearing, participants and other market participants and the securities and financial markets in general, including but not limited to any impact on competition, risks and the costs of compliance borne by any of the foregoing parties or within any market, and where applicable, a comparison of the rule to international standards promulgated by Committee on Payment and Settlement Systems of the Bank for International Settlements, the Technical Committee of the International Organization of Securities Commissions and the Group of Thirty,

D. a description of the rule drafting process, including a description of the context in which the rule was developed, the process followed, the issues considered, consultation done, the alternative approaches considered, the reasons for rejecting the alternatives and a review of the implementation plan,

E. where the rule requires technological systems changes to be made by participants, other market participants or CDS Clearing, CDS Clearing shall provide a description of the implications of the rule on such systems and, where possible, an implementation plan, including a description of how the rule will be implemented and the timing of the implementation,

F. where CDS Clearing is aware that another clearing agency has a counterpart to the rule, CDS Clearing shall include a reference to the rules of the other clearing agency, including an indication as to whether that clearing agency has a comparable rule or has made or is contemplating making a comparable rule, and a comparison of the rule to same,

G. a statement that CDS Clearing has determined that the rule is not contrary to the public interest, and

H. an explanation that all comments should be sent to CDS Clearing with a copy to the Commission, and that CDS Clearing will make available to the public on request all comments received during the comment period.

(c) Confirmation of Receipt

Commission staff will within 5 business days send to CDS Clearing confirmation of receipt of documents filed by CDS Clearing under subsection (b).

(d) Publication of a Material Rule by the Commission

As soon as practicable, Commission staff will publish in the OSC Bulletin the notice and rule filed by CDS Clearing under subsection (b) for a comment period of 30 calendar days ("comment period"), commencing on the date on which the notice first appears in the OSC Bulletin or website.

(e) Review by Commission Staff

Commission staff will use their best efforts to conduct their initial review of the material rule and provide comments to CDS Clearing during the comment period. However, there will be no restriction on the amount of time necessary to complete the review of the material rule.

(f) CDS Clearing Responses to Commission Staff's Comments

(i) CDS Clearing will respond to any comments received to Commission staff in writing.

(ii) CDS Clearing will provide to Commission staff a summary of all public comments received and CDS Clearing's responses to the public comments, or confirmation of having received no public comments.

(iii) If CDS Clearing fails to respond to comments from Commission staff within 120 calendar days after receipt of their comment letter, CDS Clearing will be deemed to have withdrawn the material rule unless Commission staff otherwise agree.

(g) Approval by the Commission

Commission staff will use their best efforts to prepare the material rule for approval within 30 calendar days of the later of (a) receipt of written responses from CDS Clearing to staff's comments or requests for additional information, and (b) receipt of the summary of public comments and CDS Clearing's response to the public comments, or confirmation from CDS Clearing that there were no comments received. If at any time during the review period, Commission staff determine that they have further comments or require further information from CDS Clearing in order to prepare the materials for Commission approval, the review period will be extended by an additional period of 30 calendar days commencing on the day that Commission staff receive responses to the comments or the information requested. Commission staff will notify CDS Clearing of the Commission's approval of the material rule within 5 business days.

(h) Publication of Notice of Approval

Commission staff will prepare and publish in the OSC Bulletin and on its website a short notice of approval of the material rule within 15 business days of delivery of the notification to CDS Clearing of the decision. CDS Clearing will provide the following information to accompany the publication of the notice of approval:

(i) a short summary of the material rule;

(ii) CDS Clearing's summary of public comments and responses received, if applicable; and

(iii) if changes were made to the version published for public comment, a blacklined copy of the revised material rule.

(i) Effective Date of a Material Rule

A material rule will be effective as of the date of the notification of approval by Commission staff in accordance with subsection (g) or on a date determined by CDS Clearing, if such date is later.

(j) Significant Revisions to a Material Rule

When a material rule is revised subsequent to its publication for comment in a way that Commission and CDS Clearing staff determine has a material effect on the substance of the rule or its effect, the revision will be published in the OSC Bulletin with a notice for a second 30 calendar day comment period. The request for comment shall include CDS Clearing's summary of comments and responses submitted in response to the previous request for comments, together with an explanation of the revision to the material rule and the supporting rationale for the amendment.

(k) Withdrawal of a Material Rule

If CDS Clearing withdraws or is deemed to have withdrawn a rule that was previously submitted, then it will provide a notice of withdrawal to be published by the Commission in the OSC Bulletin as soon as practicable.

5. Procedures for Review and Approval of a Technical/Housekeeping Rule

(a) Documents to be Filed

For a technical/housekeeping rule, CDS Clearing will file with the Commission the following documents electronically, or by other means as agreed to by the Commission staff and CDS Clearing from time to time:

(i) a cover letter that indicates the classification of the rule and the rationale for that classification;

(ii) the rule and, where applicable, a blacklined version of the rule indicating the proposed changes to an existing rule; and

(iii) a short notice of publication to be published by the Commission in the OSC Bulletin that contains the following information:

A. a brief description of the technical/housekeeping rule,

B. the reasons for the technical/housekeeping classification, and

C. the effective date of the technical/housekeeping rule, or a statement that the technical/housekeeping rule will be effective on a date subsequently determined by CDS Clearing.

(b) Effective Date of Technical/Housekeeping Rules

The technical/housekeeping rule will be effective upon CDS Clearing filing the documents in accordance with subsection (a) or on a date determined by CDS Clearing. Where CDS Clearing does not receive any communication of disagreement with the classification from Commission staff in accordance with subsection (d) within 15 business days after filing the rule, CDS Clearing may assume that the Commission staff agree with the classification.

(c) Confirmation of Receipt

Commission staff will within 5 business days send to CDS Clearing confirmation of receipt of documents filed by CDS Clearing under subsection (a).

(d) Disagreement with Classification

Where CDS Clearing has classified a rule as "technical/housekeeping" and Commission staff disagree with the classification:

(i) Commission staff will communicate to CDS Clearing, in writing, the reasons for disagreeing with the classification of the rule within 15 business days after receipt of CDS Clearing's filing.

(ii) After receipt of Commission staff's written communication, CDS Clearing will re-classify the rule as material and the Commission will review and approve the rule under the procedures set out in section 4.

(iii) Commission staff may require that CDS Clearing immediately repeal the technical/housekeeping rule and inform its participants of the reason for the repeal of the rule.

(e) Publication of Technical/Housekeeping Rules

Commission staff will publish the notice filed by CDS Clearing under clause (a)(iii) as soon as practicable.

(f) Comments received on Technical/Housekeeping Rules

If comments are raised in response to the publication of the notice or the implementation of the technical/housekeeping rule, Commission staff may review the rule in light of the comments received. Commission staff may determine that the rule was incorrectly classified and require that the rule be classified as a material rule and reviewed and approved by the Commission in accordance with the procedures set out in section 4 with necessary modifications. If the Commission subsequently disapproves the material rule, CDS Clearing will immediately repeal the material rule and inform its participants of the disapproval.

6. Immediate Implementation of a Material Rule

(a) Criteria for Immediate Implementation

CDS Clearing may make a material rule effective immediately where CDS Clearing determines that there is an urgent need to implement the material rule because of a substantial and imminent risk of material harm to CDS Clearing, participants, other market participants, or the Canadian capital markets or due to a change in operation imposed by a third party supplying services to CDS Clearing and to its participants.

(b) Prior Notification

Where CDS Clearing determines that immediate implementation is necessary, CDS Clearing will advise Commission staff in writing as soon as possible but in any event at least 5 business days prior to the implementation of the rule. Such written notice will include an analysis to support the need for immediate implementation.

(c) Disagreement on Need for Immediate Implementation

If Commission staff do not agree that immediate implementation is necessary, the process for resolving the disagreement will be as follows:

(i) Commission staff will notify CDS Clearing, in writing, of the disagreement, or request more time to consider the immediate implementation, within 3 business days of being advised by CDS Clearing under subsection (b).

(ii) Commission staff and CDS Clearing will discuss and resolve any concerns raised by Commission staff.

(iii) If no notice is received by CDS Clearing by the 3rd business day after Commission staff received CDS Clearing's notification, CDS Clearing may assume that Commission staff does not disagree with their assessment.

(d) Review of Material Rules Implemented Immediately

A material rule that has been implemented immediately will be published, reviewed and approved by the Commission in accordance with the procedures set out in section 4 with necessary modifications. If the Commission subsequently disapproves the material rule, CDS Clearing will immediately repeal the material rule and inform its participants of the disapproval.

7. Miscellaneous Provisions

(a) Waiving Provisions of the protocol

Commission staff may waive any part of this protocol upon request from CDS Clearing. Such a waiver must be granted in writing by Commission staff.

(b) Amendments

This protocol and any provision hereof may be amended at any time or times with the agreement of the Commission and CDS Clearing.

APPENDIX "B"

REPORTING OBLIGATIONS

In addition to the notification, reporting and filing obligations set out in Schedule "A" to the Recognition and Designation Order, CDS Ltd. and CDS Clearing shall also comply with the reporting obligations set out below.

1. Prior Notification

1.1 CDS Ltd. and CDS Clearing shall provide to Commission staff prior notification of:

(a) any proposed change to CDS Ltd. and CDS Clearing's corporate governance structure other than significant changes to the governance structure or constating documents for which prior approval is required under items 2.3 or 10.3 of Schedule "A" to the Recognition and Designation Order;

(b) a decision to enter into an agreement, memorandum of understanding or other similar arrangement with any governmental or regulatory body, self-regulatory organization, clearing agency, stock exchange, other marketplace or market; or

(c) a decision to, either directly or through an affiliate, engage in a new type of business activity or cease to engage in a business activity in which CDS Ltd. and CDS Clearing are then engaged.

1.2 Notwithstanding the requirements of section 1.1(c), CDS Ltd. shall not be required to provide Commission staff with prior notification in the above instances in the event that such instances relate to the business operations of another CDS Ltd. subsidiary.

2. Immediate Notification

2.1 CDS Ltd. and CDS Clearing shall provide to Commission staff immediate notice of:

(a) the appointment of any new director or officer, including a description of the individual's employment history; and

(b) the resignation or intended resignation of a director or officer or the auditors of CDS Ltd. and CDS Clearing, including a statement of the reasons for the resignation or intended resignation.

2.2 CDS Ltd. and CDS Clearing shall immediately notify Commission staff if either organization:

(a) becomes the subject of any order, directive or other similar action of a governmental or regulatory authority;

(b) becomes aware that either organization is the subject of a criminal or regulatory investigation; or

(c) becomes, or is aware that either organization will become, the subject of a material lawsuit.

2.3 CDS Clearing shall immediately file with Commission staff copies of all notices, bulletins and similar forms of communication that CDS Clearing sends its participants.

2.4 CDS Ltd. and CDS Clearing shall immediately file with the Commission staff any unanimous shareholder agreements to which it is a party.

3. Quarterly Reporting

3.1 CDS Ltd. and CDS Clearing shall file quarterly with Commission staff a list of the internal audit reports and risk management reports issued in the previous quarter.

4. Annual Reporting

4.1 CDS Ltd. and CDS Clearing shall provide to Commission staff annually:

(a) a list of the directors and officers of CDS Ltd. and CDS Clearing;

(b) a list of the committees of the CDS Ltd. and CDS Clearing boards of directors, setting out the members, mandate and responsibilities of each of the committees; and

(c) a list of all participants in each settlement service operated by CDS Clearing.

5. General

5.1 CDS Ltd. and CDS Clearing shall continue to comply with the reporting obligations set out in their tailored Automation Review Program document.

2.2.4 Abria Alternative Investments Inc. and Abria Diversified Arbitrage Trust

Headnote

Mutual fund in Ontario (non-reporting issuer) granted an extension of the annual financial statement filing deadline as fund provides exposure to offshore investment fund for which audited financial information not yet available.

Rules Cited

National Instrument 81-106 Investment Fund Continuous Disclosure, ss. 2.2, 5.1(2), 18.3.

IN THE MATTER OF
NATIONAL INSTRUMENT 81-106
INVESTMENT FUND CONTINUOUS DISCLOSURE

AND

IN THE MATTER OF
ABRIA ALTERNATIVE INVESTMENTS INC.
(the Applicant)

AND

IN THE MATTER OF
ABRIA DIVERSIFIED ARBITRAGE TRUST
(the Fund)

ORDER

Background

The Ontario Securities Commission received an application from the Applicant, on behalf of the Fund, for a decision pursuant to section 17.1 of National Instrument 81-106 *Investment Fund Continuous Disclosure* (NI 81-106) exempting the Fund from:

(a) the requirement in sections 2.2 and 18.3 of NI 81-106 that the Fund file its audited annual financial statements on or before the 120th day after its most recently completed financial year (the Filing Deadline); and

(b) the requirement in subsection 5.1(2) of NI 81-106 that the Fund deliver its audited annual financial statements to securityholders by the Filing Deadline (the Delivery Requirement).

Representations

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

1. The Applicant is a corporation incorporated under the laws of Ontario.

2. The Applicant is registered as an investment counsel and portfolio manager and as a limited market dealer under the *Securities Act* (Ontario) (the Act).

3. The Applicant is the trustee and manager of the Fund. The Fund is an open-ended mutual fund trust established under the laws of Ontario and is offered to investors pursuant to exemptions from the prospectus requirement under the Act. The Fund currently has a year-end of March 31, 2006. The Fund intends to elect to have a 15 month financial year and change its year-end to June 30 for its 2007 and subsequent financial years.

4. The Fund's investment objectives are to preserve capital, and to provide investors with stable, tax efficient, low risk returns. The Fund seeks to achieve its investment objectives by investing in Canadian common shares and obtaining indirect exposure to the returns of Abria Diversified Arbitrage Fund Ltd. (ADAF). ADAF is organized as an exempted company under the laws of the Cayman Islands.

5. ADAF primarily invests its assets in the Arbitrage Master Segregated Portfolio (the Master Fund) of Abria International SPC Limited, an exempted segregated portfolio company under the laws of the Cayman Islands. The financial year-end of the Master Fund is June 30. The Master Fund primarily invests its assets in a portfolio of underlying independently managed hedge funds (the Underlying Funds). The Underlying Funds have varying financial year-ends and are subject to a variety of financial reporting deadlines.

6. The audit of ADAF is not complete because the financial statements of one of the Underlying Funds are not available and the auditors of the Fund have advised that those audited financial statements are required in order to sign off on the audit of the Fund. The Underlying Fund was established in late 2004 and is in the process of completing its first audited financial statements.

7. On July 28, 2006, the Ontario Securities Commission issued an order (the "Prior Order") exempting the Fund from the Filing Deadline and the Delivery Requirement provided that the audited annual financial statements of the Fund were filed and delivered by September 15, 2006.

8. The audit of the Underlying Fund will not be completed by September 15, 2006 and consequently the audit of the financial statements of the Fund will not be completed by September 15, 2006.

9. Sections 2.2 and 18.3 together with subsection 5.1(2) of NI 81-106, as extended by the Prior Order, require the Fund to file and deliver its 2006 annual audited financial statements by September 15, 2006.

10. The Fund will not be able to meet the Filing Deadline and will not be able to comply with the Delivery Requirement.

Order

The Director is satisfied that it would not be prejudicial to the public interest to grant the requested relief and orders that the Fund is exempt from the requirement to file its 2006 annual audited financial statements by the Filing Deadline and from the Delivery Requirement, provided that the 2006 audited annual financial statements are filed and delivered by October 31, 2006.

Nothing in this Order precludes the Fund from relying on the exemption contained in section 2.11 of NI 81-106 provided the 2006 audited annual financial statements are delivered by October 31, 2006.

September 15, 2006

"Leslie Byberg"
Manager, Investment Funds Branch
Ontario Securities Commission

2.2.5 Jove Investment Management Inc. and The Gartman Letter, L.C. - s. 80 of the CFA

Headnote

Section 80 of the Commodity Futures Act (Ontario) – relief from the adviser registration requirements of subsection 22(1)(b) of the CFA granted to sub-adviser not ordinarily resident in Ontario in respect of advice regarding trades in commodity futures contracts and commodity futures options, subject to certain terms and conditions. Relief mirrors exemption available in section 7.3 of OSC Rule 35-502 – Non-Resident Advisers made under the Securities Act (Ontario).

Statutes Cited

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

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

AND

IN THE MATTER OF
JOVE INVESTMENT MANAGEMENT INC.

AND

THE GARTMAN LETTER, L.C.

ORDER
(Section 80 of the CFA)

UPON the application (the **Application**) of Jove Investment Management Inc. (**Jove**) and The Gartman Letter L.C. (the **Sub-Adviser**) to the Ontario Securities Commission (the Commission) for an order, pursuant to section 80 of the CFA, that neither the Sub-Adviser nor any of its directors, officers and employees acting on its behalf as an adviser (collectively, the **Representatives**) shall be subject to the adviser registration requirement in subsection 22(1)(b) of the CFA in respect of advice regarding trades in commodity futures contracts and commodity futures options provided on a sub-advisory basis to Jove (the **Proposed Advisory Services**).

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

AND UPON Jove having represented to the Commission the following:

1. Jove is organized under the laws of Ontario. Jove is registered in Ontario as an adviser in the categories of investment counsel and portfolio manager and as a commodity trading counsel and

commodity trading manager under the CFA. Jove's head office is located in Toronto, Ontario.

2. The Sub-Adviser is a limited liability company organized under the laws of Virginia, U.S. The Sub-Adviser is exempt from registration as an adviser in the U.S. The Sub-Adviser's head office is located in Suffolk, Virginia, U.S.A.

3. Pursuant to the terms of an investment management agreement, Jove has been retained to provide investment advice to the Canadian Imperial Bank of Commerce (**CIBC**) with respect to a principal protected note that will be offered to potential investors (the **CIBC Note**). The Agreement will grant Jove the authority to appoint a sub-adviser, provided certain conditions are met.

4. In addition to the CIBC Note, Jove may in the future provide advice to other financial institutions that are offering a principal protected note or security to prospective investors (the **Other Notes**) or to other investment funds (the **Funds**).

5. Jove intends to retain the services of the Sub-Adviser with respect to the Proposed Advisory Services it gives to CIBC and potentially certain Other Notes or Funds in the future.

6. Jove will enter into a sub-advisory agreement (the **Sub-Advisory Agreement**) with the Sub-Adviser, whereby the Sub-Adviser will provide investment advice and portfolio management services to Jove in respect of the Proposed Advisory Services.

7. The Sub-Advisory Agreement, or other future agreements with respect to advice provided to Other Notes or Funds, will set out the obligations and duties of the Sub-Adviser. Jove will contractually agree to be responsible for any loss that arises out of the failure of the Sub-Adviser:

   (i) to exercise its powers and discharge its duties honestly, in good faith and in the best interests of Jove, CIBC, the issuer of the Other Notes or the Funds respectively; or

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

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

8. The Sub-Adviser will only provide the Proposed Advisory Services so long as Jove is registered in Ontario as an adviser in the categories of investment counsel and portfolio manager, and as a commodity trading manager under the CFA.

9. The offering documents of the CIBC Note, the Other Notes and the Funds will each disclose that Jove will be responsible for the Sub-Adviser's investment advice and to the extent applicable there may be difficulty in enforcing any legal rights against the Sub-Adviser as it is resident outside of Canada and all or a substantial portion of its assets are situated outside of Canada.

10. There is presently no rule under the CFA that provides exemption from the adviser registration requirement in paragraph 22(1)(b) of the CFA, for a person or company acting as an adviser to another registered adviser in respect of Commodity Futures that is similar to the exemption in section 7.3 of Commission Rule 35-502, *Non-Resident Advisers*, from the adviser registration requirement in section 25(1)(b) of the OSA.

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

IT IS ORDERED THAT, pursuant to section 80 of the CFA, neither the Sub-Adviser, nor any of its Representatives, shall be subject to the adviser registration requirement in subsection 22(1)(b) of the CFA in respect of the Proposed Advisory Services, provided that:

(a) Jove is registered under the CFA as an adviser in the category of commodity trading manager;

(b) the obligations and duties of the Sub-Adviser are set out in a Sub-Advisory Agreement with Jove;

(c) the Proposed Advisory Services will only be provided where Jove has contractually agreed with CIBC, the issuer of the Other Notes, or with the Funds, as applicable, to be responsible for any loss that arises out of the failure of the Sub-Adviser to meet the Standard of Care, and that such responsibility cannot be waived;

(d) the offering documents of the CIBC Note, the Other Notes and the Funds will disclose that:

   (i) Jove will be responsible for any loss that arises as a result of the failure of the Sub-Adviser to meet the Standard of Care;

   (ii) Jove will be responsible for any advice provided by the Sub-Adviser to the CIBC Note, the Other Notes or the Funds; and

   (iii) there may be difficulty in enforcing any legal rights against the Sub-Adviser

because it is resident outside of Canada and all or a substantial portion of its assets are situated outside of Canada;

(e) this Order shall terminate three years from the date hereof.

October 20, 2006.

"Wendell S. Wigle"

"David L. Knight"

2.2.6 TD Asset Management Ltd. and the TD Funds in Appendix A

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – relief granted from the mutual fund conflict of interest investment restrictions of the Securities Act (Ontario) to permit pooled funds to invest in other pooled funds.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 111(2)(b), 111(2)(c), 111(3), 113.

October 24, 2006

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

AND

IN THE MATTER OF
TD ASSET MANAGEMENT LTD.
("TDAM")

AND

THE TD FUNDS IN APPENDIX A
(the "Existing Pooled Fund Trusts")

ORDER

Background

The Ontario Securities Commission has received an application under section 113 of the Act from TDAM, on its behalf and on behalf of the Existing Pooled Fund Trusts and any future pooled fund trusts of which TDAM is the manager (collectively, the TD Pooled Fund Trusts). TDAM wishes to engage or may wish to engage in certain fund on fund strategies that consist of a TD Pooled Fund Trust (each, a Top Fund) investing in one or more other TD Pooled Fund Trusts or other mutual funds of which TDAM, or an affiliate of TDAM, is the investment fund manager (each, an Underlying Fund). TDAM has applied for an exemption from the restrictions contained in paragraph 111(2)(b) and subsection 111(3) of the Act (the Requested Relief) prohibiting a mutual fund in Ontario from knowingly making or holding an investment:

(i) in a person or company in which the mutual fund, alone or together with one or more related mutual funds, is a substantial securityholder; or

(ii) in an issuer in which

(1) any officer or director of the mutual fund, its management company or distribution

company or an associate of any of them, or

(2) any person or company who is a substantial securityholder of the mutual fund, its management company or its distribution company has a significant interest.

Interpretation

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

Representations

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

1. TDAM is a corporation amalgamated under the *Business Corporations Act* (Ontario).

2. TDAM is registered as an investment counsel and portfolio manager and as a limited market dealer under the Act.

3. Each of the TD Pooled Fund Trusts is or will be a unit trust organized under the laws of Ontario that is a mutual fund in Ontario.

4. Each of the Underlying Funds is or will be a mutual fund in Ontario.

5. TDAM is or will be the investment fund manager of the TD Pooled Fund Trusts.

6. The Canada Trust Company is or will be the trustee of the TD Pooled Fund Trusts unless the trustee is changed in accordance with the terms of any trust agreement relating to the TD Pooled Fund Trusts.

7. Securities of the Top Funds are or will be distributed by TDAM to purchasers (Exempt Purchasers) on a private placement basis under one or more exemptions from the prospectus requirement or in accordance with regulatory relief granted to TDAM.

8. A Top Fund may invest a portion of its assets in securities of an Underlying Fund.

9. The percentage of the assets of a Top Fund that are invested in securities of an Underlying Fund will be determined by TDAM from time to time on a basis that TDAM considers is appropriate for the Top Fund and is consistent with the investment objectives of the Top Fund.

10. TDAM will not make an investment for a Top Fund in an Underlying Fund unless TDAM considers that the Top Fund is an appropriate investor for the Underlying Fund.

11. One or more Top Funds and other related mutual funds may be substantial securityholders of an Underlying Fund.

12. A substantial securityholder of a Top Fund may have a significant interest in an Underlying Fund in which the Top Funds invests.

13. There will be no charges payable by a Top Fund in respect of an acquisition or redemption of securities of an Underlying Fund by a Top Fund.

14. There will be no management fees or incentive fees payable by a Top Fund that, to a reasonable person, would duplicate a fee payable by the Underlying Fund for the same service.

15. TDAM will not cause the securities of an Underlying Fund held by a Top Fund to be voted at any meeting of the securityholders of an Underlying Fund, except that TDAM may, but is not required to, arrange for the securities of an Underlying Fund held by a Top Fund to be voted by the securityholders of the Top Fund.

16. The financial statements of each of the TD Pooled Fund Trusts will be prepared and delivered to securityholders in accordance with National Instrument 81-106 (NI 81-106).

17. The financial statements of each Underlying Fund will be prepared and delivered to securityholders in accordance with NI 81-106.

18. The securityholders of a Top Fund will receive the financial statements of any Underlying Fund in which the Top Fund invests on request.

19. Each existing investor has received and any future investor will receive an offering circular (the Offering Circular) in respect of the TD Pooled Fund Trust in which they invest.

20. The investment objectives and restrictions applicable to a TD Pooled Fund Trust are described in the Offering Circular applicable to the Fund. The fees, compensation and expenses payable by a Top Fund are also contained in the Offering Circular applicable to the Top Fund as are matters relating to the structure of the Top Fund, the calculation of net asset value, distributions, the powers and duties of TDAM and the Trustee, the risk factors associated with an investment in the Top Fund and all other matters material to the Top Fund. The Offering Circular discloses that in pursuing its investment objectives a Top Fund may invest in an Underlying Fund. Certain of these matters are also summarized in the financial statements of the Top Fund.

21. Clients receive an account statement on a monthly basis showing the client's holdings of securities, including units of the TD Pooled Fund Trusts, and a portfolio holdings report on a quarterly basis showing a Top Fund's holdings of securities.

22. An investment by a Top Fund in securities of an Underlying Fund will represent the business judgment of responsible persons uninfluenced by considerations other than the best interests of the Top Fund and the Underlying Fund.

Order

The Commission is satisfied that the test contained in the Act that provides the Commission with the jurisdiction to make the order has been met. The Commission grants the Requested Relief so long as:

(a) Securities of the Top Funds are distributed in Ontario solely to Exempt Purchasers.

(b) Each of the Underlying Funds is or will be a mutual fund in Ontario.

(c) TDAM will not cause the securities of an Underlying Fund held by a Top Fund to be voted at any meeting of the securityholders of an Underlying Fund, except that TDAM may, but is not required to, arrange for the securities of an Underlying Fund held by a Top Fund to be voted by the securityholders of the Top Fund.

(d) Each future investor will receive the Offering Circular in respect of the TD Pooled Fund Trust in which they invest.

(e) There will be no charges payable by a Top Fund in respect of an acquisition or redemption of securities of an Underlying Fund by a Top Fund.

(f) There will be no management fees or incentive fees payable by a Top Fund that, to a reasonable person, would duplicate a fee payable by the Underlying Fund for the same service.

"David L. Knight"

"Suresh Thakrar"

APPENDIX A

TD LANCASTER MID TERM MONEY MARKET FUND
TD LANCASTER SHORT BOND FUND
TD LANCASTER FIXED INCOME FUND II
TD LANCASTER BALANCED FUND II
TD LANCASTER CANADIAN EQUITY FUND
TD EMERALD CANADIAN REAL RETURN BOND POOLED FUND TRUST
TD EMERALD CANADIAN BOND POOLED FUND TRUST
TD EMERALD CANADIAN LONG BOND POOLED FUND TRUST
TD EMERALD CANADIAN LONG BOND BROAD MARKET POOLED FUND TRUST
TD EMERALD ACTIVE CORE CANADIAN BOND POOLED FUND TRUST
TD EMERALD ENHANCED CANADIAN BOND POOLED FUND TRUST
TD EMERALD DIVERSIFIED YIELD POOLED FUND TRUST
TD EMERALD CANADIAN EQUITY MARKET POOLED FUND TRUST II
TD EMERALD CANADIAN MARKET CAPPED POOLED FUND TRUST
TD EMERALD ENHANCED CANADIAN EQUITY POOLED FUND TRUST
TD EMERALD POOLED U.S. FUND
TD EMERALD EXTENDED U.S. MARKET POOLED FUND TRUST
TD EMERALD ENHANCED U.S. EQUITY POOLED FUND TRUST
TD EMERALD ENHANCED HEDGED U.S. EQUITY POOLED FUND TRUST
TD EMERALD HEDGED U.S. EQUITY POOLED FUND TRUST
TD EMERALD HEDGED SYNTHETIC U.S. EQUITY POOLED FUND TRUST
TD EMERALD UNHEDGED SYNTHETIC U.S. EQUITY POOLED FUND TRUST
TD EMERALD GLOBAL EQUITY POOLED FUND TRUST
TD EMERALD HEDGED SYNTHETIC INTERNATIONAL EQUITY POOLED FUND TRUST
TD EMERALD CANADIAN EQUITY MARKET NEUTRAL FUND
TD EMERALD U.S. EQUITY MARKET NEUTRAL FUND
TD EMERALD NORTH AMERICAN EQUITY PAIRS FUND
TD EMERALD MULTI-STRATEGY ABSOLUTE RETURN FUND

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

NO REPORT FOR THIS WEEK

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
Novelis Inc.	18 Nov 05	01 Dec 05	01 Dec 05	25 Oct 06	
Research In Motion Limited	24 Oct 06	07 Nov 06			

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	16 Oct 06		
ESI Entertainment Systems Inc.	18 Oct 06	01 Nov 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	25 Oct 06	
Pacrim International Capital Inc.	29 Sept 06	12 Oct 06	12 Oct 06		
Research In Motion Limited	24 Oct 06	07 Nov 06			

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Chapter 6

Request for Comments

6.1.1 Request for Comment - Proposed Amendments to NI 55-101 Insider Reporting Exemptions and Companion Policy 55-101CP Insider Reporting Exemptions

REQUEST FOR COMMENT

PROPOSED AMENDMENTS TO NATIONAL INSTRUMENT 55-101
INSIDER REPORTING EXEMPTIONS
AND
COMPANION POLICY 55-101CP
INSIDER REPORTING EXEMPTIONS

Background

The Canadian Securities Administrators (the CSA or we) are publishing for comment proposed amendments to National Instrument 55-101 – *Insider Reporting Exemptions* (NI 55-101) and Companion Policy 55-101CP (55-101CP). Additional information on the proposed instrument, required for publication in Ontario, can be found in the form of notice published in the OSC Bulletin or on its Website at www.osc.gov.on.ca.

NI 55-101 and 55-101CP provide exemptions from the obligation to file insider reports under Canadian securities legislation where the policy reasons for insider reporting do not apply. The CSA adopted NI 55-101 in 2001 to make certain routine exemptions from the insider reporting requirement available automatically. We amended NI 55-101 in 2005 to add some additional routine exemptions.

We believe the recent amendments to NI 55-101 and 55-101CP have been successful. The most significant amendment introduced a new exemption for senior officers based on the CSA title inflation initiative. This amendment codified relief that CSA members had previously granted on an exemptive relief basis a number of times since 2002. The amendments also included several important enhancements to the existing exemption in NI 55-101 relating to automatic securities purchase plans.

Current amendments (Phase 1)

Since the recent amendments, we have received comments from a number of issuers about the record-keeping requirements in Part 4 of NI 55-101. These issuers have indicated that the present record-keeping requirements are unduly onerous, particularly for larger issuers that have a large number of subsidiaries. They have also expressed concern that, even after the most recent amendments based on the title inflation initiative, Canadian securities legislation continues to require too many persons to file insider reports, particularly when compared to the requirements of various foreign jurisdictions.

In view of these comments and further consideration of these requirements, we are proposing to delete the record-keeping requirements in Part 4 of NI 55-101 and instead include these record-keeping functions as an example of a best practice in 55-101CP. We recognize that issuers may choose to adopt different record-keeping practices that are tailored to their particular circumstances.

We are publishing an amending instrument for NI 55-101 and black-lined versions of NI 55-101 and CP 55-101 (Appendices A, B and C). Because of differences in the current insider reporting requirements, Part 3 of NI 55-101 does not apply in Quebec. The definition of “ineligible insider” and section 5.2 of NI 55-101 are also different in Quebec than in other provinces. If certain amendments proposed to the legislation in Quebec come into force before the proposed amendment to NI 55-101, the final form of NI 55-101 may include consequential amendments to address these changes.

Proposed future amendments (Phase 2)

The currently proposed changes to NI 55-101 and 55-101 CP are an interim step. As part of the CSA’s efforts to harmonize and streamline securities legislation, the CSA plan to adopt harmonized insider reporting requirements across Canada. We expect to do this by amending NI 55-101 to include the insider reporting requirements as well as appropriate exemptions.

As part of this initiative, we will review whether the current insider reporting requirements are appropriate or whether the insider reporting system would be more effective if it focused the reporting obligation on a smaller group of insiders. In addition, we may also consider accelerating the time frames for filing insider reports as we improve the viability of the System for Electronic

Disclosure by Insiders (SEDI). For example, as discussed above, a number of issuers have expressed the concern that our current insider reporting rules require too many individuals to file insider reports. Although NI 55-101 now generally exempts insiders who do not routinely have access to material information about the reporting issuer before it is publicly disclosed and who may not therefore be considered "true" insiders, the number of insiders required to file reports can still be substantial. However, reducing the number of insiders required to file reports would further decrease the amount of information in the market about trades by those insiders.

We plan to consider these issues further and conduct research that will compare our current insider reporting requirements with those in other countries. This will help us to determine whether we can reduce the regulatory burden by requiring a smaller group of insiders to file insider reports, without compromising the market information that the insider reports provide or the objective of deterring improper insider trading.

Before we adopt the national insider reporting requirements, we will seek input from people who file insider reports and those who use the information provided by the reports.

Substance and purpose of proposed amendments

Proposed changes to NI 55-101

We propose to make three substantive changes to NI 55-101:

1. Definition of major subsidiary

The definition of "major subsidiary" in section 1.1 of NI 55-101 will be changed to increase the relevant percentages from 10 to 20%. This change means that a subsidiary would be a major subsidiary of a reporting issuer only if its assets are 20% or more of the consolidated assets of the reporting issuer or its revenues are 20% or more of the consolidated revenues of the reporting issuer. This change may increase the number of insiders able to rely on the exemptions in Parts 2 and 3 of NI 55-101 because directors or senior officers of a subsidiary that represents more than 10% but less than 20% of the assets or revenues of the reporting issuer will no longer be ineligible insiders (as defined in section 1.1).

2. Insider lists and policies

Part 4 – Insider Lists and Policies will be repealed. This change should make it easier for eligible insiders to rely on the exemptions in Parts 2 and 3 of NI 55-101.

Part 4 currently requires

- an insider to notify the reporting issuer that the insider intends to rely on an exemption in Part 2 or 3;
- the reporting issuer to maintain a list of insiders who are relying on exemptions from the insider reporting requirements and a list of insiders who are not relying on the exemptions or file an undertaking with the securities regulatory authorities that it will make those lists available to the regulatory authorities on request; and
- the reporting issuer to advise its insiders that the reporting issuer has established policies and procedures relating to insider trading and that, as part of those policies and procedures, the issuer is required to maintain the lists of insiders referred to above.

As we understand that the current requirements may discourage some insiders from relying on exemptions that they are eligible to use, this change should reduce the number of insiders filing insider reports. However, reporting issuers should consider the detailed best practices for issuers for disclosure and information containment set out in National Policy 51-201 *Disclosure Standards*. Reporting issuers may also wish to consider preparing and periodically updating a list of the persons working for them or their affiliates who have access to material facts or material changes concerning the reporting issuer before those facts or changes are generally disclosed as part of their internal policies and procedures relating to insider trading. Reporting issuers should also be aware that some jurisdictions may request additional information, including asking the reporting issuer to prepare and provide a list of insiders, for example in the context of an insider reporting review.

3. ASPP exemption for stock option grants

We propose to add a new subsection 5.2(3) to make it clear that certain insiders can rely on the automatic securities purchase plan (ASPP) exemption for grants of stock options and similar securities only if the reporting issuer has publicly disclosed certain information about the grant. This will allow those insiders to defer filing insider reports about these transactions, while still ensuring that the information is available to the market on a timely basis.

Proposed changes to 55-101CP

55-101CP will be revised in two ways.

1. Part 4 will clarify the best practices for reporting issuers relating to insider lists and trading policies.

2. Part 5 will provide additional guidance on the ASPP exemption.

Alternatives considered

As discussed above, the amendments are intended to clarify NI 55-101 or to streamline requirements. We considered waiting and making these changes as part of a national insider reporting rule. However, the national insider reporting rule will likely not be in place until 2008, so we are proposing to adopt the Phase 1 amendments first to help improve the effectiveness of the current insider reporting system and to reduce the regulatory burden associated with insider reporting.

Request for Comments

We welcome your comments on the proposed amendments to NI 55-101 and the companion policy. In addition to any general comments you may have, we also invite comments on the following specific questions:

1. The exemption in Part 5 of NI 55-101 that allows insiders to defer reporting acquisitions under an automatic securities purchase plan is currently available only to directors and senior officers of the reporting issuer or a subsidiary of the reporting issuer. Should we make this exemption available to persons who own or control more than 10% of the voting securities of a reporting issuer? For example, this would allow these persons to participate in a dividend reinvestment plan and report on the additional shares they acquire in this way within 90 days of the end of the calendar year. If so, should there be limits on the number or percentage of securities that the insider can acquire before being required to file a report?

2. We are proposing to let insiders who are executive officers or directors of a reporting issuer rely on the ASPP exemption in section 5.1 of NI 55-101 for the acquisition of stock options or similar securities granted to the insider if the reporting issuer has previously disclosed in a press release filed on SEDAR the existence and material terms of the grant.

   (a) Could the same result be achieved by requiring the reporting issuer to file a notice on SEDAR, rather than issuing a press release?

   (b) In the future, rather than require issuers to file a press release on SEDAR, should we enhance the System for Electronic Disclosure by Insiders (SEDI) to allow reporting issuers to disclose grants of stock options and issuer derivatives like deferred share units, restricted share awards and long term incentive plan units in a report of the issuer? This report could be analogous to the “issuer event” report required under section 2.4 of National Instrument 55-102 SEDI.

3. The current concern in the United States about options backdating illustrates that the market is keenly interested in the timing of stock option grants. We understand that some investors time their own market purchases of securities of an issuer based on option grants to insiders that have been publicly disclosed. We believe that stock options or similar securities granted to executive officers or directors need to be disclosed on a timely basis – either in an insider report filed on SEDI within 10 days or a press release filed by the issuer on SEDAR. We are willing to allow other insiders to rely on the ASPP exemption for grants of stock options and similar securities, provided the plan under which they are granted meets the definition of an ASPP, the conditions of the exemption are otherwise satisfied, and the insider is not making a discrete investment decision in respect of the grant. Does disclosure of grants of options and issuer derivatives to executive officers and directors provide a greater “signalling” function or “deterrence” value than disclosure of similar grants made to other insiders?

Please submit your comments in writing on or before January 25, 2007. If you are not sending your comments by email, please include a diskette containing the submissions (in Windows format, Word).

Address your submission to the following CSA member commissions:

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission

Autorité des marchés financiers
New Brunswick Securities Commission
Nova Scotia Securities Commission

Please deliver your comments **only** to the addresses that follow. Your comments will be forwarded to the remaining CSA member jurisdictions.

Denise Duifhuis
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PO Box 10142, Pacific Centre
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Madame Anne-Marie Beaudoin
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Autorité des marchés financiers
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C.P. 246, Tour de la Bourse
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Fax : (514) 864-8381
e-mail: consultation-en-cours@lautorite.qc.ca

We cannot keep submissions confidential because securities legislation in certain provinces requires publication of a summary of the written comments received during the comment period. All comments will also be posted to the BCSC web-site at www.bcsc.bc.ca to improve the transparency of the policy-making process.

Questions

Please refer your questions to any of:
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The text of the proposed amended instrument and companion policy follows or can be found elsewhere on a CSA member website.

October 27, 2006

APPENDIX A

AMENDMENTS TO
NATIONAL INSTRUMENT 55-101 INSIDER REPORTING EXEMPTIONS

1. National Instrument 55- 101 Insider Reporting Exemptions is amended by this Instrument.

2. Section 1.1, in paragraphs (a) and (b) of the definition of "major subsidiary", is amended by deleting "10***" and substituting "***20***".***

3. Sections 2.1, 2.2 and 2.3, are amended by striking "Subject to section 4.1, the***" at the beginning of each section and substituting "***The***".***

4. Section 3.2 is amended by striking "and 4.1***".***

5. Part 4 is repealed.

6. Section 5.2 is amended by adding the following after subsection 5.2(2):

(3) An insider who is an executive officer (as defined in National Instrument 51-102 Continuous Disclosure Obligations) or a director of the reporting issuer or of a major subsidiary may not rely on the exemption in section 5.1 for the acquisition of stock options or similar securities granted to the insider unless the reporting issuer has previously disclosed in a news release filed on SEDAR the existence and material terms of the grant, including without limitation

(a) the date the options or other securities were issued or granted,

(b) the number of options or other securities issued or granted to each insider who is an executive officer or director referred to above,

(c) the price at which the options or other securities were issued or granted and the exercise price, and

(d) the number and type of securities issuable on the exercise of the options or other securities.

7. This amendment comes into force •, 2007.

APPENDIX B

NATIONAL INSTRUMENT 55-101
INSIDER REPORTING EXEMPTIONS

PART 1 DEFINITIONS

1.1 Definitions - In this Instrument

"acceptable summary form", in relation to the alternative form of insider report described in section 5.3, means an insider report that discloses as a single transaction, using December 31 of the relevant year as the date of the transaction, and providing an average unit price,

(a) the total number of securities of the same type acquired under an automatic securities purchase plan, or under all such plans, for the calendar year, and

(b) the total number of securities of the same type disposed of under all specified dispositions of securities under an automatic securities purchase plan, or under all such plans, for the calendar year;

"automatic securities purchase plan" means a dividend or interest reinvestment plan, a stock dividend plan or any other plan of a reporting issuer or of a subsidiary of a reporting issuer to facilitate the acquisition of securities of the reporting issuer if the timing of acquisitions of securities, the number of securities which may be acquired under the plan by a director or senior officer of the reporting issuer or of the subsidiary of the reporting issuer and the price payable for the securities are established by written formula or criteria set out in a plan document;

"cash payment option" means a provision in a dividend or interest reinvestment plan under which a participant is permitted to make cash payments to purchase from the issuer, or from an administrator of the issuer, securities of the issuer's own issue, in addition to the securities

(a) purchased using the amount of the dividend, interest or distribution payable to or for the account of the participant; or

(b) acquired as a stock dividend or other distribution out of earnings or surplus;

"dividend or interest reinvestment plan" means an arrangement under which a holder of securities of an issuer is permitted to direct that the dividends, interest or distributions paid on the securities be applied to the purchase, from the issuer or an administrator of the issuer, of securities of the issuer's own issue;

"ineligible insider" in relation to a reporting issuer means

(a) an individual performing the functions of the chief executive officer, the chief operating officer or the chief financial officer for the reporting issuer;

(b) a director of the reporting issuer;

(c) a director of a major subsidiary of the reporting issuer;

(d) a senior officer in charge of a principal business unit, division or function of ~~i) the reporting issuer or ii) a major subsidiary of the reporting issuer;~~

i) the reporting issuer or

ii) a major subsidiary of the reporting issuer;

(e) other than in Québec, a person that has direct or indirect beneficial ownership of, control or direction over, or a combination of direct or indirect beneficial ownership of, and control or direction over, securities of the reporting issuer carrying more than 10 percent of the voting rights attached to all the reporting issuer's outstanding voting securities; or

(f) in Québec, a person who exercises control over more than 10 percent of a class of shares of the reporting issuer to which are attached voting rights or an unlimited right to a share of the profits of the reporting issuer and in its assets in case of winding-up;

"insider issuer" in relation to a reporting issuer means an issuer that is an insider of the reporting issuer;

"investment issuer" in relation to an issuer means a reporting issuer in respect of which the issuer is an insider;

"issuer event" means a stock dividend, stock split, consolidation, amalgamation, reorganization, merger or other similar event that affects all holdings of a class of securities of an issuer in the same manner, on a per share basis;

"lump-sum provision" means a provision of an automatic securities purchase plan that allows a director or senior officer to acquire securities in consideration of an additional lump-sum payment, including, in the case of a dividend or interest reinvestment plan that is an automatic securities purchase plan, a cash payment option;

"major subsidiary" means a subsidiary of a reporting issuer if

(a) the assets of the subsidiary, on a consolidated basis with its subsidiaries, as included in the most recent annual audited balance sheet of the reporting issuer,are ~~10~~20 percent or more of the consolidated assets of the reporting issuer reported on that balance sheet, or

(b) the revenues of the subsidiary, on a consolidated basis with its subsidiaries, as included in the most recent annual audited income statement of the reporting issuer, are ~~10~~20 percent or more of the consolidated revenues of the reporting issuer reported on that statement;

"normal course issuer bid" means

(a) an issuer bid that is made in reliance on the exemption contained in securities legislation from certain requirements relating to issuer bids that is available if the number of securities acquired by the issuer within a period of twelve months does not exceed 5 percent of the securities of that class issued and outstanding at the commencement of the period, or

(b) a normal course issuer bid as defined in the policies of The Montreal Exchange, The TSX Venture Exchange or The Toronto Stock Exchange, conducted in accordance with the policies of that exchange;

"specified disposition of securities" means a disposition or transfer of securities under an automatic securities purchase plan that satisfies the conditions set forth in section 5.4; and

"stock dividend plan" means an arrangement under which securities of an issuer are issued by the issuer to holders of securities of the issuer as a stock dividend or other distribution out of earnings or surplus.

PART 2 EXEMPTIONS FOR CERTAIN DIRECTORS AND SENIOR OFFICERS

2.1 Reporting Exemption (Certain Directors) – ~~Subject to section 4.1, the~~The insider reporting requirement does not apply to a director of a subsidiary of a reporting issuer in respect of securities of the reporting issuer if the director

(a) does not in the ordinary course receive or have access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed; and

(b) is not an ineligible insider in relation to the reporting issuer.

2.2 Reporting Exemption (Certain Senior Officers) – ~~Subject to section 4.1, the~~The insider reporting requirement does not apply to a senior officer of a reporting issuer or a subsidiary of the reporting issuer in respect of securities of the reporting issuer if the senior officer

(a) does not in the ordinary course receive or have access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed; and

(b) is not an ineligible insider in relation to the reporting issuer.

2.3 Reporting Exemption (Certain Insiders of Investment Issuers) – ~~Subject to section 4.1, the~~The insider reporting requirement does not apply to a director or senior officer of an insider issuer, or a director or senior officer of a subsidiary of the insider issuer, in respect of securities of an investment issuer if the director or senior officer

(a) does not in the ordinary course receive or have access to information as to material facts or material changes concerning the investment issuer before the material facts or material changes are generally disclosed; and

(b) is not an ineligible insider in relation to the investment issuer.

PART 3 EXEMPTION FOR DIRECTORS AND SENIOR OFFICERS OF AFFILIATES OF INSIDERS OF A REPORTING ISSUER

3.1 Québec – This Part does not apply in Québec.

3.2. Reporting Exemption – Subject to section ~~3.3 and 4.1,~~3.3, the insider reporting requirement does not apply to a director or senior officer of an affiliate of an insider of a reporting issuer in respect of securities of the reporting issuer.

3.3 Limitation – The exemption in section 3.2 is not available if the director or senior officer

(a) in the ordinary course receives or has access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed;

(b) is an ineligible insider in relation to the reporting issuer; or

(c) is a director or senior officer of an issuer that supplies goods or services to the reporting issuer or to a subsidiary of the reporting issuer or has contractual arrangements with the reporting issuer or a subsidiary of the reporting issuer, and the nature and scale of the supply or the contractual arrangements could reasonably be expected to have a significant effect on the market price or value of the securities of the reporting issuer.

~~**PART 4 INSIDER LISTS AND POLICIES**~~**PART 4 [Repealed •, 2007]**

~~**4.1 Insider Lists and Policies** – An insider of a reporting issuer may rely on an exemption contained in Part 2 or Part 3 if~~

~~(a) the insider has advised the reporting issuer that the insider intends to rely on the exemption, and~~

~~(b) the reporting issuer has advised the insider that the reporting issuer has established policies and procedures relating to restricting the trading activities of its insiders and other persons with access to material undisclosed information relating to the reporting issuer or to an investment issuer of the reporting issuer, and will, as part of such policies and procedures, maintain:~~

~~(i) a list of all insiders of the reporting issuer exempted from the insider reporting requirement by sections 2.1, 2.2, 2.3 and 3.2; and~~

~~(ii) a list of all insiders of the reporting issuer not exempted from the insider reporting requirement by sections 2.1, 2.2, 2.3 and 3.2.~~

~~**4.2 Alternative to Lists** – Despite section 4.1, an insider of a reporting issuer may rely on an exemption contained in Part 2 or Part 3 if~~

~~(a) the insider has advised the reporting issuer that the insider intends to rely on the exemption, and~~

~~(b) the reporting issuer has advised the insider that the reporting issuer has established policies and procedures relating to restricting the trading activities of its insiders and other persons with access to material undisclosed information relating to the reporting issuer or to an investment issuer of the reporting issuer, and the reporting issuer has filed an undertaking with the regulator or securities regulatory authority that the reporting issuer will, promptly upon request, make available to the regulator or securities regulatory authority~~

~~(i) a list of all insiders of the reporting issuer exempted from the insider reporting requirement by sections 2.1, 2.2, 2.3 and 3.2; and~~

~~(ii) a list of all insiders of the reporting issuer not exempted from the insider reporting requirement by sections 2.1, 2.2, 2.3 and 3.2.~~

PART 5 REPORTING OF ACQUISITIONS UNDER AUTOMATIC SECURITIES PURCHASE PLANS

5.1 Reporting Exemption – Subject to sections 5.2 and 5.3, the insider reporting requirement does not apply to a director or senior officer of a reporting issuer or of a subsidiary of the reporting issuer for

(a) the acquisition of securities of the reporting issuer under an automatic securities purchase plan, other than the acquisition of securities under a lump-sum provision of the plan; or

(b) a specified disposition of securities of the reporting issuer under an automatic securities purchase plan.

5.2 Limitation

(1) Other than in Québec, the exemption in section 5.1 is not available to an insider described in clause (e) of the definition of "ineligible insider".

(2) In Québec, the exemption in section 5.1 is not available to an insider described in clause (f) of the definition of "ineligible insider".

(3) An insider who is an executive officer (as defined in National Instrument 51-102 *Continuous Disclosure Obligations*) or a director of the reporting issuer or of a major subsidiary may not rely on the exemption in section 5.1 for the acquisition of stock options or similar securities granted to the insider unless the reporting issuer has previously disclosed in a news release filed on SEDAR the existence and material terms of the grant, including without limitation

(a) the date the options or other securities were issued or granted,

(b) the number of options or other securities issued or granted to each insider who is an executive officer or director referred to above,

(c) the price at which the options or other securities were issued or granted and the exercise price, and

(d) the number and type of securities issuable on the exercise of the options or other securities.

5.3 Alternative Reporting Requirement

(1) An insider who relies on the exemption from the insider reporting requirement contained in section 5.1 must file a report, in the form prescribed for insider trading reports under securities legislation, disclosing, on a transaction-by-transaction basis or in acceptable summary form, each acquisition of securities under the automatic securities purchase plan that has not previously been disclosed by or on behalf of the insider, and each specified disposition of securities under the automatic securities purchase plan that has not previously been disclosed by or on behalf of the insider,

(a) for any securities acquired under the automatic securities purchase plan that have been disposed of or transferred, other than securities that have been disposed of or transferred as part of a specified disposition of securities, within the time required by securities legislation for filing a report disclosing the disposition or transfer; and

(b) for any securities acquired under the automatic securities purchase plan during a calendar year that have not been disposed of or transferred, and any securities that have been disposed of or transferred as part of a specified disposition of securities, within 90 days of the end of the calendar year.

(2) An insider is exempt from the requirement under subsection (1) if, at the time the report is due,

(a) the insider has ceased to be an insider; or

(b) the insider is entitled to an exemption from the insider reporting requirements under an exemptive relief order or under an exemption contained in Canadian securities legislation.

5.4 Specified Disposition of Securities – A disposition or transfer of securities acquired under an automatic securities purchase plan is a "specified disposition of securities" if

(a) the disposition or transfer is incidental to the operation of the automatic securities purchase plan and does not involve a discrete investment decision by the director or senior officer; or

(b) the disposition or transfer is made to satisfy a tax withholding obligation arising from the distribution of securities under the automatic securities purchase plan and either

(i) the director or senior officer has elected that the tax withholding obligation will be satisfied through a disposition of securities, has communicated this election to the reporting issuer or the plan administrator not less than 30 days prior to the disposition and this election is irrevocable as of the 30th day before the disposition; or

(ii) the director or senior officer has not communicated an election to the reporting issuer or the plan administrator and, in accordance with the terms of the plan, the reporting issuer or the plan administrator is required to sell securities automatically to satisfy the tax withholding obligation.

PART 6 REPORTING FOR NORMAL COURSE ISSUER BIDS

6.1 **Reporting Exemption** – The insider reporting requirement does not apply to an issuer for acquisitions of securities of its own issue by the issuer under a normal course issuer bid.

6.2 **Reporting Requirement** – An issuer who relies on the exemption from the insider reporting requirement contained in section 6.1 shall file a report, in the form prescribed for insider trading reports under securities legislation, disclosing each acquisition of securities by it under a normal course issuer bid within 10 days of the end of the month in which the acquisition occurred.

PART 7 REPORTING FOR CERTAIN ISSUER EVENTS

7.1 **Reporting Exemption** – The insider reporting requirement does not apply to an insider of a reporting issuer whose direct or indirect beneficial ownership of, or control or direction over, securities of the reporting issuer changes as a result of an issuer event of the issuer.

7.2 **Reporting Requirement** – An insider who relies on the exemption from the insider reporting requirement contained in section 7.1 must file a report, in the form prescribed for insider trading reports under securities legislation, disclosing all changes in direct or indirect beneficial ownership of, or control or direction over, securities by the insider for securities of the reporting issuer pursuant to an issuer event that have not previously been reported by or on behalf of the insider, within the time required by securities legislation for the insider to report any other subsequent change in direct or indirect beneficial ownership of, or control or direction over, securities of the reporting issuer.

PART 8 EFFECTIVE DATE

8.1 **Effective Date** – This National Instrument comes into force on April 30, 2005.

APPENDIX C

COMPANION POLICY 55-101CP
TO NATIONAL INSTRUMENT 55-101
INSIDER REPORTING EXEMPTIONS

PART 1 PURPOSE

1.1 Purpose – The purpose of this Companion Policy is to set out the views of the Canadian Securities Administrators (the CSA or we) on various matters relating to National Instrument 55-101 *Insider Reporting Exemptions* (the Instrument).

PART 2 SCOPE OF EXEMPTIONS

2.1 Scope of Exemptions – The exemptions under the Instrument are only exemptions from the insider reporting requirement and are not exemptions from the provisions in Canadian securities legislation imposing liability for improper insider trading.

PART 3 EXEMPTION FOR CERTAIN DIRECTORS AND SENIOR OFFICERS

3.1 Exemption for Certain Directors

Section 2.1 of the Instrument contains an exemption from the insider reporting requirement for a director of a subsidiary of a reporting issuer in respect of securities of the reporting issuer if the director

(a) does not in the ordinary course receive or have access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed; and

(b) is not an ineligible insider.

The exemption in section 2.1 is available for a director of a subsidiary of a reporting issuer but is not available for a director of a reporting issuer or for an insider who otherwise comes within the definition of "ineligible insider". This is because such insiders, by virtue of their positions, are presumed to routinely have access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed.

The definition of "ineligible insider" includes an insider who is a director of a "major subsidiary" of the reporting issuer. In view of the significance of a major subsidiary of a reporting issuer to the reporting issuer, we believe that it is appropriate to treat directors of such subsidiaries in an analogous manner to directors of the reporting issuer. Accordingly, directors of major subsidiaries are included in the definition of "ineligible insider".

In the case of directors of subsidiaries of a reporting issuer that are not major subsidiaries of the reporting issuer, although such individuals, by virtue of being directors of the subsidiary, routinely have access to material undisclosed information about the subsidiary, such information generally will not constitute material undisclosed information about the reporting issuer since the subsidiary is not a major subsidiary of the reporting issuer.

3.2 Exemption for Certain Senior Officers

(1) Section 2.2 of the Instrument contains an exemption from the insider reporting requirements for a senior officer of a reporting issuer or a subsidiary of a reporting issuer if the senior officer

(a) does not in the ordinary course receive or have access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed; and

(b) is not an ineligible insider.

(2) The exemption contained in section 2.2 of the Instrument is available to senior officers of a reporting issuer as well as to senior officers of any subsidiary of the reporting issuer, regardless of size, so long as such individuals meet the criteria contained in the exemption. Accordingly the scope of the exemption is somewhat broader than the scope of the exemption contained in section 2.1 for directors of subsidiaries that are not major subsidiaries.

In the case of individuals who are "senior officers", we accept that many such individuals do not routinely have access to information as to material facts or material changes concerning the reporting issuer before the material facts or material changes are generally disclosed. For example, the term "senior officer" generally includes an individual who holds the title of "vice-president". We recognize that, in recent years, it has become industry practice, particularly in the financial services sector, for issuers to grant the title of "vice-president" to certain employees primarily for marketing purposes. In many cases, the title of "vice-president" does not denote a senior officer function, and such individuals do not routinely have access to material undisclosed information prior to general disclosure. Accordingly, we accept that it is not necessary to require all persons who hold the title of "vice-presidents" to file insider reports.

3.3 Exemption for Certain Insiders of Investment Issuers

Section 2.3 of the Instrument contains an exemption for a director or senior officer of an "insider issuer" who meets certain criteria in relation to trades in securities of an "investment issuer". The criteria are as follows:

- the director or senior officer of the insider issuer does not in the ordinary course receive or have access to information as to material facts or material changes concerning the investment issuer before the material facts or material changes are generally disclosed; and

- the director or senior officer is not otherwise an "ineligible insider" of the investment issuer.

The reference to "material facts or material changes concerning the investment issuer" in the exemption is intended to include information that originates at the insider issuer level but which concerns or is otherwise relevant to the investment issuer. For example, in the case of an issuer that has a subsidiary investment issuer, a decision at the parent issuer level that the subsidiary investment issuer will commence or discontinue a line of business would generally represent a "material fact or material change concerning the investment issuer". Similarly, a decision at the parent issuer level that the parent issuer will seek to sell its holding in the subsidiary investment issuer would also generally represent a "material fact or material change concerning the investment issuer." Accordingly, a director or senior officer of the parent issuer who routinely had access to such information concerning the investment issuer would not be entitled to rely on the exemption for trades in securities of the investment issuer.

PART 4 INSIDER LISTS AND POLICIES

~~(1) Section 4.1 of the Instrument describes certain steps that must be taken before an insider of a reporting issuer may rely on an exemption in Part 2 or Part 3 of the Instrument. Section 4.1 requires~~

~~(a) the insider to have advised the reporting issuer that the insider intends to rely on the exemption, and~~

~~(b) the reporting issuer to have advised the insider that the reporting issuer has established policies and procedures relating to restricting the trading activities of its insiders and other persons with access to material undisclosed information relating to the reporting issuer or to an investment issuer of the reporting issuer, and the reporting issuer will, as part of such policies and procedures, maintain:~~

~~(i) a list of insiders of the reporting issuer exempted from the insider reporting requirement by a provision of the Instrument, and~~

~~(ii) a list of insiders of the reporting issuer not exempted by a provision of the Instrument.~~

~~An insider is not required to advise the reporting issuer each time the insider intends to rely on an exemption from the insider reporting requirement. An insider may advise the reporting issuer that the insider intends to rely on a specified exemption from the insider reporting requirement for present and future transactions for so long as the insider otherwise remains entitled to rely on the exemption.~~

~~If an insider has previously advised the reporting issuer that the insider intends to rely on an exemption that is substantially similar to an exemption contained in the Instrument, such as an exemption contained in the previous version of the Instrument or an exemption contained in an exemptive relief order, we would consider that this previous notification constitutes notification for the purposes of the condition in section 4.1 of the Instrument. Accordingly, it would not be necessary for an insider in these circumstances to again notify the reporting issuer after the Instrument comes into force.~~

~~If a reporting issuer advises an insider that the reporting issuer will maintain the lists described in section 4.1, but the reporting issuer subsequently fails to do so, we would accept that continued reliance by the insider on the exemptions would be reasonable so long as the insider did not know and could not reasonably be expected to know that the reporting issuer had failed to maintain the necessary lists.~~

~~(2) As an alternative to maintaining the lists described in subparagraphs 4.1(b) (i) and (ii) of the Instrument, a reporting issuer may file an undertaking with the regulator or securities regulatory authority instead. The undertaking requires the reporting issuer to make available to the regulator or securities regulatory authority, promptly upon request, a list containing the information described in subparagraphs 4.1(b) (i) and (ii) as at the time of the request.~~

~~The principal rationale behind the requirement to maintain a list of exempt insiders and a list of non-exempt insiders is to allow for an independent means to verify whether individuals who are relying on an exemption are in fact entitled to rely on the exemption. If a reporting issuer determines that it is not necessary to maintain such lists as part of its own policies and procedures relating to insider trading, and is able to prepare and make available such lists promptly upon request, the rationale behind the list requirement would be satisfied.~~

~~(3) Sections 4.1 and 4.2 of the Instrument require (as a condition to the availability of the exemptions in Parts 2 and 3) that a reporting issuer establish and maintain certain policies and procedures relating to insider trading. The Instrument does not prescribe the content of such policies and procedures. It merely requires that such policies and procedures exist and that the issuer maintain the lists described in subparagraphs 4.1(b)(i) and (ii) or file an undertaking in relation to such lists.~~

The CSA have articulated in National Policy 51-201 *Disclosure Standards* detailed best practices for issuers for disclosure and information containment and have provided a thorough interpretation of insider trading laws. The CSA recommend that issuers adopt written disclosure policies to assist directors, officers and employees and other representatives in discharging timely disclosure obligations. Written disclosure policies also should provide guidance on how to maintain the confidentiality of corporate information and to prevent improper trading on inside information. The CSA best practices offer guidance on broad issues including disclosure of material changes, timely disclosure, selective disclosure, materiality, maintenance of confidentiality, rumours and the role of analysts' reports. In addition, guidance is offered on such specifics as responsibility for electronic communications, forward-looking information, news releases, use of the Internet and conference calls. We believe that adopting the CSA best practices as a standard for issuers would assist issuers to ensure that they take all reasonable steps to contain inside information.

~~The disclosure standards described in National Policy 51-201 Disclosure Standards represent best practices recommended by the CSA. An issuer's policies and procedures need not be consistent with National Policy 51-201 in order for the exemptions in Parts 2 and 3 of the Instrument to be available.~~

Reporting issuers should also consider preparing and periodically updating a list of the persons working for them or their affiliates who have access to material facts or material changes concerning the reporting issuer before those facts or changes are generally disclosed. This type of list may allow reporting issuers to control the flow of undisclosed information and help them to ensure that insiders are not violating insider trading prohibitions. Before •, 2007, it was a condition of the exemptions in Parts 2 and 3 that the reporting issuer maintain lists of insiders relying on exemptions and of those insiders who were not exempt from the insider reporting requirement. Alternatively, the issuer could undertake to provide these lists promptly after receiving a request for them from a securities regulatory authority. This is no longer a condition for an insider to be able to rely on the exemptions. However, some jurisdictions may request additional information, including asking the reporting issuer to prepare and provide a list of insiders, for example in the context of an insider reporting review.

PART 5 AUTOMATIC SECURITIES PURCHASE PLANS

5.1 Automatic Securities Purchase Plans

(1) Section 5.1 of the Instrument provides an exemption from the insider reporting requirement for acquisitions by a director or senior officer of a reporting issuer or of a subsidiary of a reporting issuer of securities of the reporting issuer pursuant to an automatic securities purchase plan (an ASPP).

(2) The exemption does not apply to securities acquired under a cash payment option of a dividend or interest reinvestment plan, a lump-sum provision of a share purchase plan, or a similar provision under a stock option plan.

(3) If a plan participant acquires securities under an ASPP and wishes to report the acquisitions on a deferred basis in reliance on the exemption in section 5.1 of the Instrument, the plan participant is required to file an alternative form of report(s) as follows:

(a) in the case of acquisitions of securities that are not disposed of or transferred during the year (other than as part of a "specified disposition of securities", discussed below) the participant must file a report disclosing all such acquisitions annually no later than 90 days after the end of the calendar year; and

(b) in the case of acquisitions of securities that are disposed of or transferred during the year (other than as part of a "specified disposition of securities", discussed below) the participant must file a report disclosing the acquisition and disposition within the normal time frame for filing insider reports, as contemplated by clause 5.3(1)(a) of the Instrument.

(4) The ASPP exemption allows insiders who acquire or dispose of securities of the reporting issuer under an ASPP to file insider reports on a deferred basis when the insider is not making a discrete investment decision (as discussed below in subsection 5.2(3)) for the acquisition or disposition under the ASPP. In the past, issuers and insiders have asked whether the ASPP exemption is available for grants of stock options and similar securities. The CSA are of the view than an insider can rely on this exemption for grants of stock options and similar securities provided the plan under which they are granted meets the definition of an ASPP, the conditions of the exemption are otherwise satisfied, and the insider is not making a discrete investment decision in respect of the grant or acquisition.

To fit within the definition of an ASPP, the plan must set out a written formula or criteria for establishing the timing of the acquisitions, the number of securities that the insider can acquire and the price payable. If an insider is able to exercise discretion in relation to these terms either in the capacity of a recipient of the securities or through participating in the decision-making process of the issuer making the grant, the insider may be able to make a discrete investment decision in respect of the grant or acquisition. In these circumstances, the CSA does not believe that information about the grant should be disclosed to the market on a deferred basis.

If an insider is an executive officer or a director of the reporting issuer or a major subsidiary, the insider may be participating in the decision to grant the options or other securities. Even if the insider does not participate in the decision, we believe information about options or similar securities granted to this group of insiders is important to the market. As a result, subsection 5.2(3) of the Instrument provides that a plan participant who is in one of these categories cannot rely on the ASPP exemption for stock option grants or similar acquisitions of securities **unless** the reporting issuer has disclosed the material terms of the grant in a news release filed on SEDAR before the time the insider would have been required to file an insider report. If the reporting issuer has disclosed this information, the insider still must file the alternative form of report described in (3) above. This helps to ensure that the market has information on a timely basis about the options or other securities granted to insiders who may have participated in the decision to grant the securities, even though the insider may not file an insider report disclosing the grant until a later date.

5.2 Specified Dispositions of Securities

(1) A disposition or transfer of securities acquired under an ASPP is a "specified disposition of securities" if

(a) the disposition or transfer is incidental to the operation of the ASPP and does not involve a discrete investment decision by the director or senior officer; or

(b) the disposition or transfer is made to satisfy a tax withholding obligation arising from the distribution of securities under the ASPP and the requirements contained in clauses 5.4(b)(i) or (ii) are satisfied.

(2) In the case of dispositions or transfers described in subsection 5.4(a) of the Instrument, namely a disposition or transfer that is incidental to the operation of the ASPP and that does not involve a discrete investment decision by the director or senior officer, we believe that such dispositions or transfers do not alter the policy rationale for deferred reporting of the acquisitions of securities acquired under an ASPP since such dispositions necessarily do not involve a discrete investment decision on the part of the participant.

(3) The term "discrete investment decision" generally refers to the exercise of discretion involved in a specific decision to purchase, hold or sell a security. The purchase of a security as a result of the application of a pre-determined, mechanical formula does not represent a discrete investment decision (other than the initial decision to enter into the plan in question).
The reference to "discrete investment decision" in section 5.4 is intended to reflect a principles-based limitation on the exemption for permitted dispositions under an ASPP. Accordingly, in interpreting this term, you should consider the principles underlying the insider reporting requirement – deterring insiders from

profiting from material undisclosed information and signalling insider views as to the prospects of an issuer – and the rationale for the exemptions from this requirement.

The term is best illustrated by way of example. In the case of an individual who holds stock options in a reporting issuer, the decision to exercise the stock options will generally represent a discrete investment decision. If the individual is an insider, we believe that this information should be communicated to the market in a timely fashion, since this decision may convey information that other market participants may consider relevant to their own investing decisions. A reasonable investor may conclude, for example, that the decision on the part of the insider to exercise the stock options now reflects a belief on the part of the insider that the price of the underlying securities has peaked.

(4) The definition of "specified disposition of securities" contemplates, among other things, a disposition made to satisfy a tax withholding obligation arising from the acquisition of securities under an ASPP in certain circumstances. Under some types of ASPPs, an issuer or plan administrator may sell, on behalf of a plan participant, a portion of the securities that would otherwise be distributed to the plan participant in order to satisfy a tax withholding obligation. In such plans, the participant typically may elect either to provide the issuer or the plan administrator with a cheque to cover this liability, or to direct the issuer or plan administrator to sell a sufficient number of the securities that would otherwise be distributed to cover this liability. In many cases, for reasons of convenience, a plan participant will simply direct the issuer or the plan administrator to sell a portion of the securities.

Although we are of the view that the election as to how a tax withholding obligation will be funded does contain an element of a discrete investment decision, we are satisfied that, where the election occurs sufficiently in advance of the actual distribution of securities, it is acceptable for a report of a disposition made to satisfy a tax withholding obligation to be made on an annual basis. Accordingly, a disposition made to satisfy a tax withholding obligation will be a "specified disposition" if it meets the criteria contained in clause 5.4(b) of the Instrument.

5.3 Reporting Requirements

(1) Subsection 5.3(1) of the Instrument requires an insider who relies on the exemption for securities acquired under an ASPP to file an alternative report for each acquisition of securities acquired under the plan. We recognize that, in the case of securities acquired under an ASPP, the time and effort required to report each transaction as a separate transaction may outweigh the benefits to the market of having this detailed information. We believe that it is acceptable for insiders to report on a yearly basis aggregate acquisitions (with an average unit price) of the same securities through their automatic share purchase plans. Accordingly, in complying with the alternative reporting requirement contained in section 5.3 of the Instrument, an insider may report the acquisitions on either a transaction-by-transaction basis or in "acceptable summary form". The term "acceptable summary form" is defined to mean a report that indicates the total number of securities of the same type (e.g. common shares) acquired under an ASPP, or under all ASPPs, for the calendar year as a single transaction using December 31 of the relevant year as the date of the transaction, and providing an average unit price. Similarly, an insider may report all specified dispositions of securities in a calendar year in acceptable summary form.

(2) If securities acquired under an ASPP are disposed of or transferred, other than pursuant to a specified disposition of securities, and the acquisitions of these securities have not been previously disclosed in a report, the insider report should disclose, for each acquisition of securities which are disposed of or transferred, the particulars relating to the date of acquisition of such securities, the number of securities acquired and the acquisition price of such securities. The report should also disclose, for each disposition or transfer, the related particulars for each such disposition or transfer of securities. It would be prudent practice for the director or senior officer to indicate in such insider report, by way of the "Remarks" section, or otherwise, that he or she participates in an ASPP and that not all purchases under that plan have been included in the report.

(3) The annual report that an insider files for acquisitions and specified dispositions under the ASPP in accordance with clause 5.3(1)(b) of the Instrument will reconcile the acquisitions under the plan with other acquisitions or dispositions by the director or senior officer so that the report provides an accurate listing of the director's or senior officer's total holdings. As required by securities legislation, the report filed by the insider must differentiate between securities held directly and indirectly and must indicate the registered holder if securities are held indirectly. In the case of securities acquired pursuant to a plan, the registered holder is often a trustee or plan administrator.

5.4 Exemption to the Alternative Reporting Requirement

(1) If a director or senior officer relies on the ASPP exemption contained in section 5.1 of the Instrument, the director or senior officer becomes subject, as a consequence of such reliance, to the alternative reporting requirement under subsection 5.3(1) to file one or more reports within 90 days of the end of the calendar year (the alternative reporting requirement).

(2) The principal rationale underlying the alternative reporting requirement is to ensure that insiders periodically update their publicly disclosed holdings to ensure that their publicly disclosed holdings convey an accurate picture of their holdings. If an individual has ceased to be subject to the insider reporting requirements at the time the alternative reporting requirement becomes due, we are of the view that it is not necessary to ensure that the alternative report is filed. Accordingly, subsection 5.3(2) of the Instrument contains an exemption in this regard.

5.5 Design and Administration of Plans – Part 5 of the Instrument provides a limited exemption from the insider reporting requirement only in circumstances in which an insider, by virtue of participation in an ASPP, is not making discrete investment decisions for acquisitions under such plan. Accordingly, if it is intended that insiders of an issuer rely on this exemption for a particular plan of an issuer, the issuer should design and administer the plan in a manner which is consistent with this limitation.

PART 6 EXISTING EXEMPTIONS

6.1 Existing Exemptions – Insiders can continue to rely on orders of Canadian securities regulatory authorities, subject to their terms and unless the orders provide otherwise, which exempt certain insiders, on conditions, from all or part of the insider reporting requirement, despite implementation of the Instrument.

APPENDIX D

ADDITIONAL NOTICE REQUIREMENTS: ONTARIO

Authority for the Proposed National Instrument

In those jurisdictions in which the Proposed Instrument is to be adopted as a rule or regulation, the securities legislation in each of those jurisdictions provides the securities regulatory authority with rule-making or regulation-making authority in respect of the subject matter of the Proposed Instrument.

The Proposed Instrument is being proposed for implementation in Ontario as a rule. In Ontario, the following provisions of the *Securities Act* (Ontario) (the Ontario Act) provide the Ontario Securities Commission (the Ontario Commission) with authority to adopt the Proposed Instrument as a rule. Paragraph 143(1)10 of the Ontario Act authorizes the Ontario Commission to prescribe requirements in respect of the books, records and other documents required by subsection 19(1) of the Ontario Act to be kept by market participants. Paragraph 143(1)11 of the Ontario Act authorizes the Ontario Commission to make rules regulating the listing or trading of publicly traded securities including requiring reporting of trades and quotations. Paragraph 143(1)30 of the Ontario Act authorizes the Ontario Commission to make rules providing for exemptions from any requirement of the insider trading provisions of the Ontario Act contained in Part XXI of the Ontario Act. Paragraph 143(1)39 of the Ontario Act authorizes the Commission to make rules, among other things, respecting the media, format, preparation, form, content, execution and certification of documents required under the Ontario Act.

Related Instruments

The Proposed Instrument and the Proposed Policy are related to each other as they deal with the same subject matter. In Ontario, the proposed Companion Policy is related to sections 106 to 109 of the *Securities Act* (Ontario) and Part VIII of the Regulation to the Act.

Alternatives Considered

Consideration was given to continuing the current practice of granting the relief set out in the Proposed Instrument on an *ad hoc* basis in response to applications made. The CSA have concluded, however, that this practice is neither efficient nor effective and accordingly the Proposed Instrument would provide relief to certain insiders who fall within the scope of the insider reporting requirement.

Unpublished Materials

In proposing the Proposed Instrument and the Proposed Policy, the CSA have not relied on any significant unpublished study, report, decision or other written materials.

Anticipated Costs and Benefits

The Proposed Instrument will be beneficial to certain market participants who fall within the scope of the insider reporting requirement of Canadian securities legislation as they will in some cases be relieved from reporting and in other cases will have to report less frequently. In addition, those persons or the reporting issuer of which they are an insider will no longer have to incur the expense of applying for relief.

The Canadian securities regulatory authorities are of the view that the benefits of the Proposed Instrument outweigh the costs.

Chapter 7

Insider Reporting

This chapter is available in the print version of the OSC Bulletin, as well as as in Carswell's internet service SecuritiesScource (see www.carswell.com).

This chapter contains a weekly summary of insider transactions of Ontario reporting issuers in the System for Electronic Disclosure by Insiders (SEDI). The weekly summary contains insider transactions reported during the seven days ending Sunday at 11:59 pm.

To obtain Insider Reporting information, please visit the SEDI website (www.sedi.ca).

Chapter 8

Notice of Exempt Financings

REPORTS OF TRADES SUBMITTED ON FORMS 45-106F1 AND FORM 45-501F1

Transaction Date	# of Purchasers	Issuer/Security	Total Pur. Price ($)	# of Securities Distributed
09/30/2006	8	ABC Fundamental - Value Fund - Units	1,471,577.50	72,237.43
10/13/2006	1	Aggregate Therapeutics Inc. - Common Shares	0.00	158,824.00
10/10/2006	1	BNY Trust Company of Canada, as trustee of Aurora Trust - Notes	50,000,000.00	50,000,000.00
11/30/2005 to 01/26/2006	52	Building 906 Capital Ltd - Units	2,100,000.00	42.00
10/12/2006	12	Cabrerra Resources Ltd. - Common Shares	9,558,140.00	3,571,500.00
10/12/2006	31	Cabrerra Resources Ltd. - Flow-Through Shares	10,000,140.00	2,941,200.00
10/06/2006	6	Cayley Geothermal Corp. - Flow-Through Shares	297,075.00	174,750.00
08/31/2006	1	Clearly Canadian Beverage Corporation - Units	1,106,600.00	333,334.00
10/11/2006	3	Crowflight Minerals Inc. - Units	2,412,499.95	6,892,857.00
10/05/2006	1	Danaos Corporation - Common Shares	2,384,970.00	100,000.00
07/21/2006 to 07/31/2006	2	Digital Payment Technologies Corp. - Option	2.00	N/A
09/02/2006 to 10/06/2006	3	Ditem Explorations Inc. - Common Shares	88,500.00	245,333.00
08/24/2006	83	Dokie Wind Energy Inc. - Common Shares	9,638,231.00	969,446.00
09/29/2006	215	Donner Metals Ltd. - Non-Flow Through Units	12,593,230.00	8,560,000.00
10/12/2006	130	Duvernay Oil Corp. - Flow-Through Shares	48,125,000.00	1,100,000.00
10/04/2006	9	E-Energy Ventures Inc. - Common Shares	700,000.00	2,500,000.00
10/04/2006	29	Empire International Service Rigs Inc. - Common Shares	142,000.00	284,000.00
09/26/2006	23	Escape Group Inc. - Common Shares	500,000.00	3,333,333.00
10/13/2006	1	Excalibur Limited Partnership - Limited Partnership Units	170,505.00	0.62

Transaction Date	# of Purchasers	Issuer/Security	Total Pur. Price ($)	# of Securities Distributed
10/13/2006	1	Excalibur Limited Partnership II - Limited Partnership Units	167,700.00	2.83
10/12/2006	120	Experian Group Limited - Common Shares	1,504,632,467.00	94,452,760.00
10/03/2006	1	First Leaside Expansion Limited Partnership - Units	25,000.00	25,000.00
09/20/2006 to 10/05/2006	7	First Leaside Fund - Units	594,002.00	594,002.00
10/16/2006	2	G2 Resources Inc. - Common Shares	2,000,000.52	2,325,582.00
06/30/2006 to 10/09/2006	9	Global Trader Europe Limited - Special Trust Securities	9,981.80	4,683.00
10/10/2006 to 10/16/2006	8	Global Trader Europe Limited - Special Trust Securities	8,546.30	4,345.00
10/16/2006	1	GMO International Core Equity Fund-III - Units	2,211,188.40	50,856.10
10/06/2006	8	Hard Creek Nickel Corporation - Flow-Through Shares	537,501.00	716,668.00
08/28/2006	14	Hard Creek Nickel Corporation - Flow-Through Shares	695,001.25	926,669.00
10/17/2006	11	Harte Gold Corp. - Flow-Through Shares	1,383,000.00	2,843,335.00
09/25/2006	1	Hedgeforum Single Manager Platform - Units	222,600.00	200.00
10/12/2006	1	I Squared Learning Incorporated - Debentures	700,000.00	700,000.00
09/29/2006	43	iCo Therapeutics Inc. - Units	897,288.00	897,288.00
10/09/2006 to 10/16/2006	14	IGW Properties Limited Partnership I - Limited Partnership Units	950,702.00	950,702.00
09/25/2006	1	Inception Biosciences Inc. - Preferred Shares	1.00	467,500.00
10/10/2006	1	Inter-Canel Ltd. - Common Shares	40,924.80	172,800.00
09/21/2006	85	Ironhand Drilling Inc. - Common Shares	2,123,100.00	1,061,550.00
10/12/2006	6	iseemedia, Inc. - Common Shares	500,000.00	1,428,572.00
09/29/2006	14	Kingspoint Mall LP - Limited Partnership Units	4,974,288.00	8,000.00
10/15/2006	6	Kingwest Avenue Portfolio - Units	167,116.13	5,123.78
10/15/2006	1	Kingwest Canadian Equity Portfolio - Units	295,000.00	24,753.72
10/15/2006	2	Kingwest U.S. Equity Portfolio - Units	504,574.95	29,419.74

Transaction Date	# of Purchasers	Issuer/Security	Total Pur. Price ($)	# of Securities Distributed
09/29/2006	14	Lancaster Mall Limited Partnership - Limited Partnership Units	3,256,400.00	8,000.00
10/13/2006	58	Lateegra Gold Corp. - Units	2,499,999.60	3,571,428.00
09/29/2006	82	Magna Vista North American Equity Fund - Common Shares	22,780.37	2,214.63
09/29/2006	12	McIntyre Centre LP - Limited Partnership Units	2,422,780.00	8,000.00
09/28/2006	1	Mediacom Broadband LLC - Notes	3,346,500.00	3,000.00
09/29/2006	5	Merrill Lynch Canada Finance Company - Notes	6,956,126.10	62,370.00
10/11/2006	1	Natural Valley Farms Inc. - Common Shares	20,000.00	20,000.00
08/10/2006	4	Neucel Specialty Cellulose Holdings LP - Units	21,840,001.11	23,148.00
09/29/2006	3	Neucel Specialty Cellulose Holdings LP - Units	15,000,000.83	17,360.00
10/10/2006	1	Orbis Global Equity Fund - Common Shares	201,093.53	1,701.30
10/12/2006	3	Pantheon Global Secondary Fund III "A" L.P. - Limited Partnership Interest	60,192,100.00	N/A
10/11/2006	89	Pegasus Oil & Gas Inc. - Receipts	18,040,000.00	8,200,000.00
10/17/2006	12	Petaquilla Minerals Ltd - Units	21,960,000.00	9,150,000.00
10/11/2006	92	Petro Andina Resources Inc. - Common Shares	39,000,000.00	6,000,000.00
10/11/2006	10	Principal Financial Global Funding II, LLC - Notes	212,763,300.00	213,000,000.00
09/29/2006	8	Realex Properties Corp. - Common Shares	4,999,999.53	2,250,000.00
09/29/2006	90	Realex Properties Corp. - Receipts	32,500,176.01	113,320,000.00
08/15/2006	2	RemoteLaw Online Systems Corp. - Notes	70,000.00	2.00
08/29/2006 to 09/07/2006	12	RemoteLaw Online Systems Corp. - Notes	175,000.00	12.00
06/26/2006	36	Richards Oil & Gas Limited - Debentures	52,625,000.00	6,500,000.00
09/01/2006	82	Romspen Mortgage Investment Fund - Units	5,948,550.00	594,855.00
10/17/2006	6	Saxony Petroleum Inc, - Common Shares	6,157,800.00	1,710,500.00
10/17/2006	15	Scandinavian Minerals Limited - Common Shares	10,000,000.00	2,000,000.00
10/13/2006	2	Sextant Strategic Opportunities Hedge Fund LP - Units	25,000.00	1,331.00

Transaction Date	# of Purchasers	Issuer/Security	Total Pur. Price ($)	# of Securities Distributed
09/29/2006	9	Silver Eagle Mines Inc. - Common Shares	38,358.00	38,358.00
02/16/2006	120	Silverstar Well Servicing Ltd. - Common Shares	13,591,900.00	N/A
09/15/2006	16	Sinchao Metals Corp - Common Shares	420,000.00	1,050,000.00
10/12/2006	3	SouthernEra Diamonds Inc. - Common Shares	2,508,000.00	5,700,000.00
10/12/2006	4	Sparton Resources Inc. - Units	250,000.00	1,666,667.00
10/01/2006	6	Sterling Diversified Fund - Limited Partnership Units	2,331,350.00	2,331,350.00
01/06/2006	2	Sterling Diversified Fund - Limited Partnership Units	220,000.00	220,000.00
10/11/2006	16	TCNZ Finance Limited - Bonds	275,000,000.00	275,000,000.00
10/17/2006	2	Trade Winds Ventures Inc. - Flow-Through Shares	750,000.00	1,500,000.00
08/30/2006 to 08/31/2006	2	Trez Capital Corporation - Mortgage	361,000.00	361,000.00
10/12/2006	16	U308 Corp. - Common Shares	1,600,000.00	800,000.00
09/29/2006	9	Viva Source Corp. - Warrants	800,000.00	335,000.00
10/13/2006	32	Walton Alliston Investment Corporation - Common Shares	726,000.00	72,600.00
10/13/2006	159	Walton AZ Sunland Ranch Investment Corporation - Common Shares	3,104,500.00	310,450.00
04/17/2006	5	We-Create Inc. - Debentures	400,000.00	147,694.13
10/06/2006	133	Web World Holdings Ltd. - Common Shares	1,967,250.36	1,164,553.00
10/16/2006	2	West Corporation - Notes	2,844,750.00	1,000.00
09/29/2006	1	Wimberly Apartments Limited Partnership - Units	30,112.77	38,571.00
10/12/2006	8	Winport Developments Limited Partnership - Limited Partnership Units	6,000,000.00	4,000,000.00
09/12/2006	2	YGC Resources Ltd. - Common Shares	3,000.00	30,000.00
09/28/2006	22	Zeox Corporation - Common Shares	350,000.00	5,000,000.00

Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
5Banc Split Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated October 23, 2006
Mutual Reliance Review System Receipt dated October 23, 2006
Offering Price and Description:
$* (Maximum) - * Preferred Shares and * Capital Shares; Price: $10.00 per Preferred Share and $10.00 per Capital Share
Underwriter(s) or Distributor(s):
TD Securities Inc.
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
RBC Dominion Securities Inc.
Canaccord Capital Corporation
Dundee Securities Corporation
HSBC Securities (Canada) Inc.
Desjardins Securities Inc.
Raymond James Ltd.
Blackmont Capital Inc.
Wellington West Capital Inc.
Promoter(s):
TD Securities Inc.
Project #1004552

Issuer Name:
ACTIVEnergy Income Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated October 18, 2006
Mutual Reliance Review System Receipt dated October 19, 2006
Offering Price and Description:
Offering of * Rights to Subscribe for an Aggregate of * Units Subscription Price: Three Rights and $ * per Unit The Subscription Price equals * % of the Net Asset Value per Unit on *, 2006
Underwriter(s) or Distributor(s):
Middlefiled Capital Corporation
Promoter(s):
Middlefield Group Limited
Middlefield ACTIVEnergy Management Limited
Project #1003517

Issuer Name:
Algonquin Power Income Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated October 18, 2006
Mutual Reliance Review System Receipt dated October 18, 2006
Offering Price and Description:
$50,000,000.00 - 6.10% Convertible Unsecured Subordinated Debentures due November 30, 2016
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
Scotia Capital Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
Canaccord Capital Corporation
Dundee Securities Corporation
FirstEnergy Capital Corp.
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Promoter(s):
-
Project #1003291

Issuer Name:
Algonquin Power Income Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated October 18, 2006
Mutual Reliance Review System Receipt dated October 18, 2006
Offering Price and Description:
$65044,000.00 - 6,440,000 Trust Units Price: $$10.10 per Trust Unit
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
Scotia Capital Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
Canaccord Capital Corporation
Dundee Securities Corporation
FirstEnergy Capital Corp.
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Promoter(s):
-
Project #1003297

Issuer Name:
Azure Dynamics Corporation
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated October 24, 2006
Mutual Reliance Review System Receipt dated October 24, 2006
Offering Price and Description:
$ * - * Common Shares Price: $ * per Common Share
Underwriter(s) or Distributor(s):
Clarus Securities Inc.
Paradigm Capital Inc.
Promoter(s):
-
Project #1005070

Issuer Name:
BA Energy Inc.
Principal Regulator - Alberta
Type and Date:
Preliminary PREP Prospectus dated October 19, 2006
Mutual Reliance Review System Receipt dated October 20, 2006
Offering Price and Description:
$ * - * Common Shares Price: $ * per Common Share
Underwriter(s) or Distributor(s):
TD Securities Inc.
Scotia Capital Inc.
Promoter(s):
-
Project #1004323

Issuer Name:
Canada Energy Partners Inc.
Principal Regulator - British Columbia
Type and Date:
Amended and Restated Preliminary Prospectus dated October 17, 2006
Mutual Reliance Review System Receipt dated October 18, 2006
Offering Price and Description:
$5,480,000.00 - $1,980,000 Offering of Flow-Through Shares (1,800,000 flow-through shares at a price of $1.10 per Flow-Through Share) $3,500,000 Offering of Common Shares (3,500,000 shares at a price of $1.00 per Common Share)
Underwriter(s) or Distributor(s):
Haywood Securities Inc.
Promoter(s):
John Prosust
Winston Purifoy
Project #992813

Issuer Name:
Carfinco Income Fund
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated October 23, 2006
Mutual Reliance Review System Receipt dated October 23, 2006
Offering Price and Description:
$ * - * Trust Units Price: $ * per Trust Unit
Underwriter(s) or Distributor(s):
GMP Securities L.P.
Acumen Capital Finance Partners Limited
Blackmont Capital Inc.
Promoter(s):
-
Project #1004790

Issuer Name:
Chartwell Seniors Housing Real Estate Investment Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated October 23, 2006
Mutual Reliance Review System Receipt dated October 23, 2006
Offering Price and Description:
$150,500,000.00 - 10,750,000 Units and $125,000,000.00 - 5.75% Convertible Unsecured Subordinated Debentures Due December 1, 2011 Units Price: $14.00 per Unit Debentures Price: $1,000.00 per Debenture
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
Canaccord Capital Corporation
National bank Financial Inc.
Scotia Capital Inc.
TD Securities Inc.
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Promoter(s):
-
Project #1004655

Issuer Name:
Coventree Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated October 16, 2006
Mutual Reliance Review System Receipt dated October 18, 2006
Offering Price and Description:
$ * - 3,792,902 Common Shares Price: $ * per Common Share
Underwriter(s) or Distributor(s):
Sprott Securities Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
National Bank Financial Inc.
Promoter(s):
-
Project #1003349

Issuer Name:
Fairquest Energy Limited
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated October 23, 2006
Mutual Reliance Review System Receipt dated October 23, 2006
Offering Price and Description:
$24,700,000.00 - 6,500,000 Common Shares and $10,890,000 - 2,200,000 Flow-Through Shares
Price: $3.80 per Common Share $4.95 per Flow-Through Share
Underwriter(s) or Distributor(s):
FirstEnergy Capital Corp.
Sprott Securities Inc.
Canaccord Capital Corporation
GMP Securities L.P.
Raymond James Ltd.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
Promoter(s):
-
Project #1004733

Issuer Name:
Flint Energy Services Ltd.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated October 18, 2006
Mutual Reliance Review System Receipt dated October 18, 2006
Offering Price and Description:
$ * - * Common Shares Price: $ * per Common Share
Underwriter(s) or Distributor(s):
TD Securities Inc.
Peters & Co. Limited
Blackmont Capital Inc.
FirstEnergy Capital Corp.
Paradigm Capital Inc.
Westwind Partners Inc.
Sprott Securities Inc.
Tristone Capital Inc.
Promoter(s):
-
Project #1003150

Issuer Name:
Flint Energy Services Ltd.
Principal Regulator - Alberta
Type and Date:
Amended and Restated Preliminary Short Form Prospectus dated October 19, 2006
Mutual Reliance Review System Receipt dated October 19, 2006
Offering Price and Description:
$125,147,500.00 - 2,215,000 Common Shares Price: $56.50 per Common Share
Underwriter(s) or Distributor(s):
TD Securities Inc.
Peters & Co. Limited
Blackmont Capital Inc.
FirstEnergy Capital Corp.
Paradigm Capital Inc.
Westwind Partners Inc.
Sprott Securities Inc.
Tristone Capital Inc.
Promoter(s):
-
Project #1003150

Issuer Name:
H&R Real Estate Investment Trust
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated October 20, 2006
Mutual Reliance Review System Receipt dated October 20, 2006
Offering Price and Description:
$150,475,000.00 - 6,500,000 Units Price: $23.15 per Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
TD Securities Inc.
Canaccord Capital Corporation
Desjardins Securities Inc.
Promoter(s):
-
Project #1004120

Issuer Name:
Junex Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated October 20, 2006
Mutual Reliance Review System Receipt dated October 20, 2006
Offering Price and Description:
$ 2,000,000.00 to 5,000,000 - 1,818,181 to 4,5445,454 Shares Price: $1.10 per Share
Underwriter(s) or Distributor(s):
Laurentian Bank Securities Inc.
Promoter(s):
-
Project #1004372

Issuer Name:
Katanga Mining Limited
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated October 18, 2006
Mutual Reliance Review System Receipt dated October 19, 2006
Offering Price and Description:
$ * - * Units Price: $1,000.00 per Unit
Underwriter(s) or Distributor(s):
GMP Securities L.P.
Sprott Securities Inc.
Haywood Securities Inc.
RBC Dominion Securities Inc.
CIBC World Markets Inc.
Dundee Securities Corporation
Promoter(s):
-
Project #1003617

Issuer Name:
Medmira Inc.
Principal Regulator - Nova Scotia
Type and Date:
Preliminary Short Form Prospectus dated October 20, 2006
Mutual Reliance Review System Receipt dated October 23, 2006
Offering Price and Description:
Up to $10,000,000.00 of Common Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1004347

Issuer Name:
Midnight Oil Exploration Ltd.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus (NI 44-101) dated October 24, 2006
Mutual Reliance Review System Receipt dated October 24, 2006
Offering Price and Description:
$15,250,000.00 - 5,000,000 Common Shares
Underwriter(s) or Distributor(s):
Sprott Securities Inc.
GMP Securities L.P.
CIBC World Markets Inc.
MGI Securities Inc.
Canaccord Capital Corporation
Dundee Securities Corporation
Promoter(s):
-
Project #1005125

Issuer Name:
One Exploration Inc. (formerly, Zenastra Photonics Inc.)
Principal Regulator - Alberta
Type and Date:
Preliminary Prospectus dated October 23, 2006
Mutual Reliance Review System Receipt dated October 23, 2006
Offering Price and Description:
Minimum: 10,000 Units ($10,000,000.00); Maximum: 12,000 Units ($12,000,000.00) Price: $1,000 per Unit - Minimum Subscription: 5 Units ($5,000)
Underwriter(s) or Distributor(s):
Tristone Capital Inc.
GMP Securities L.P.
Raymond James Ltd.
Promoter(s):
Al J. Kroontje
Walter Vrataric
Project #1004773

Issuer Name:
PDM Royalties Income Fund
Principal Regulator - Nova Scotia
Type and Date:
Preliminary Short Form Prospectus dated October 19, 2006
Mutual Reliance Review System Receipt dated October 20, 2006
Offering Price and Description:
$31,400,000.00 - 7.50% Convertible Extendible Unsecured Subordinated Debentures
Price: $1,000.00 per Debenture
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
Canaccord Capital Corporation
RBC Dominion Securities Inc.
Promoter(s):
Pizza Delight Corporation Ltd.
Project #1003990

Issuer Name:
Pro FTSE RAFI Canadian Index Fund
Pro FTSE RAFI Global Index Fund
Pro FTSE RAFI Hong Kong China Index Fund
Pro FTSE RAFI US Index Fund
Pro Money Market Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated October 20, 2006
Mutual Reliance Review System Receipt dated October 24, 2006
Offering Price and Description:
Class A and F Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
Pro-Financial Asset Management Inc.
Project #1004482

Issuer Name:
RCGT Balanced Fund no.1 for partners
RCGT Balanced Fund no.2 for partners
RCGT Money Market Fund for partners
Type and Date:
Preliminary Simplified Prospectuses dated October 20, 2006
Receipted on October 23, 2006
Offering Price and Description:
Mutual Fund Units @ Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
Raymond Chabot Grant Thornton, Limited Liability Partnership
Project #991911

Issuer Name:
Select 100e Managed Portfolio Corporate Class
Select 100i Managed Portfolio Corporate Class
Select 20i80e Managed Portfolio Corporate Class
Select 30i70e Managed Portfolio Corporate Class
Select 40i60e Managed Portfolio Corporate Class
Select 50i50e Managed Portfolio Corporate Class
Select 60i40e Managed Portfolio Corporate Class
Select 70i30e Managed Portfolio Corporate Class
Select 80i20e Managed Portfolio Corporate Class
(Class A, F, W and I shares)
Select Canadian Equity Managed Fund
Select Income Managed Fund
Select International Equity Managed Fund
Select U.S Equity Managed Fund
(Class I units)
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectuses dated October 24, 2006
Mutual Reliance Review System Receipt dated October 24, 2006
Offering Price and Description:
Class A, F, I and W Shares, and Class I Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
CI Investments Inc.
Project #1004974

Issuer Name:
Strategic Energy Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated October 20, 2006
Mutual Reliance Review System Receipt dated October 23, 2006
Offering Price and Description:
Up to $ * - * Warranted Units Price: $ * per Warranted Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Promoter(s):
-
Project #1004405

Issuer Name:
Village Farms Income Fund (formerly Hot House Growers Income Fund)
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated October 23, 2006
Mutual Reliance Review System Receipt dated October 23, 2006
Offering Price and Description:
$10,000,000.00 - Rights to Subscribe for up to * Units at a Price of $ * per Unit
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1004659

Issuer Name:
WORLD OUTFITTERS CORPORATION SAFARI NORDIK
Principal Regulator - Quebec
Type and Date:
Preliminary Prospectus dated October 20, 2006
Mutual Reliance Review System Receipt dated October 23, 2006
Offering Price and Description:
$2,500,000.00 to $5,000,000.00 - 2,500,000 to 5,000,000 Common Shares Price: $1.00 per Share
Underwriter(s) or Distributor(s):
Laurentian Bank Securities Inc.
Promoter(s):
Nicolas Laurin
Jacques Leclerc
Project #1004374

Issuer Name:
Class A and Class F Units of :
Acuity Canadian Equity Fund
Acuity Clean Environment Equity Fund
Acuity Social Values Canadian Equity Fund
Acuity All Cap 30 Canadian Equity Fund
Acuity Canadian Small Cap Fund
Acuity Natural Resource Fund
Acuity Global Equity Fund
Acuity Clean Environment Global Equity Fund
Acuity Social Values Global Equity Fund
Acuity Canadian Balanced Fund
Acuity Clean Environment Balanced Fund
Acuity Conservative Asset Allocation Fund
Acuity Income Trust Fund
Acuity Growth & Income Fund
Acuity High Income Fund
Acuity Dividend Fund
Acuity Fixed Income Fund
Acuity Global High Income Fund
Acuity Global Dividend Fund
Acuity Money Market Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated October 18, 2006
Mutual Reliance Review System Receipt dated October 19, 2006
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Clean Environment Mutual Funds Ltd.
Promoter(s):
Acuity Funds Ltd.
Project #993591

Issuer Name:
Armtec Infrastructure Income Fund
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated October 19, 2006
Mutual Reliance Review System Receipt dated October 19, 2006
Offering Price and Description:
$25,006,600.00 - 1,289,000 Units Price: $19.40 per Unit
Underwriter(s) or Distributor(s):
Scotia Capital Inc.
BMO Nesbitt Burns Inc.
TD Securities Inc.
CIBC World Markets Inc.
M Partners Inc.
Promoter(s):
-
Project #1001792

Issuer Name:
Campbell Resources Inc.
Principal Regulator - Quebec
Type and Date:
Amendment #1 dated October 18, 2006 to the Short Form Prospectus dated September 26, 2006
Mutual Reliance Review System Receipt dated October 19, 2006
Offering Price and Description:
$5,597,301.00 - 233,220,881 Rights to purchase 6966,264 Units at a price of $0.08 per Unit
Underwriter(s) or Distributor(s):
Sprott Securities Inc.
Promoter(s):
-
Project #991644

Issuer Name:
Cardiome Pharma Corp.
Principal Regulator - British Columbia
Type and Date:
Final Short Form Base Shelf Prospectus dated October 23, 2006
Mutual Reliance Review System Receipt dated October 23, 2006
Offering Price and Description:
U.S.$150,000,000.00 - Common Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1000989

Issuer Name:
Fairborne Energy Trust
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated October 20, 2006
Mutual Reliance Review System Receipt dated October 20, 2006
Offering Price and Description:
$87,500,000.00 - 6.50% Convertible Unsecured Subordinated Debentures Price: $1,000 per Debenture
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
Canaccord Capital Corporation
CIBC World Markets Inc.
National Bank Financial Inc.
Sprott Securities Inc.
FirstEnergy Capital Corp.
Promoter(s):
-
Project #1001801

Issuer Name:
Kingsmill Capital Ventures Inc.
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated October 16, 2006
Mutual Reliance Review System Receipt dated October 18, 2006
Offering Price and Description:
$500,000.00 - 3,333,333 COMMON SHARES Price: $0.15 per Common Share
Underwriter(s) or Distributor(s):
Jones, Gable & Company Limited
Promoter(s):
David Mitchell
Project #978699

Issuer Name:
Master Credit Card Trust
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated October 18, 2006
Mutual Reliance Review System Receipt dated October 18, 2006
Offering Price and Description:
$238,750,000.00 - 4.38% Credit Card Receivables-Backed Class A Notes, Series 2006-1; $5,625,000.00 - 4.48% Credit Card Receivables-Backed Class B Notes, Series 2006-1; $5,625,000.00 - 4.58% Credit Card Receivables-Backed Class C Notes, Series 2006-1
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.
HSBC Securities (Canada) Inc.
National Bank Financial Inc.
Desjardins Securities Inc.
Laurentian Bank Securities Inc.
Merrill Lynch Canada Inc.
Dundee Securities Inc.
Promoter(s):
Bank of Montreal
Project #1000907

Issuer Name:
Master Credit Card Trust
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated October 18, 2006
Mutual Reliance Review System Receipt dated October 18, 2006
Offering Price and Description:
(1) $955,000,000 4.444% Credit Card Receivables-Backed Class A Notes, Series 2006-2;
(2) $22,500,000 4.594% Credit Card Receivables-Backed Class B Notes, Series 2006-2;
(3) $22,500,000 4.744% Credit Card Receivables-Backed Class C Notes, Series 2006-2
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
RBC Dominion Securities Inc.
Scotia Capital Inc.
TD Securities Inc.
HSBC Securities (Canada) Inc.
National Bank Financial Inc.
Desjardins Securities Inc.
Laurentian Bank Securities Inc.
Merrill Lynch Canada Inc.
Dundee Securities Inc.
Promoter(s):
Bank of Montreal
Project #1000908

Issuer Name:
Merrill Lynch Financial Assets Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated October 18, 2006
Mutual Reliance Review System Receipt dated October 19, 2006
Offering Price and Description:
$553,627,000.00 (Approximate) Commercial Mortgage Pass-Through Certificates, Series 2006-Canada 20
Underwriter(s) or Distributor(s):
Merrill Lynch Canada Inc.
Credit Suisse Securities (Canada) Inc.
Promoter(s):
-
Project #1001497

Issuer Name:
Moly Mines Limited
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated October 20, 2006
Mutual Reliance Review System Receipt dated October 20, 2006
Offering Price and Description:
C$15,750,000.00 - 15,000,000 Shares - Price: C$1.05 per Share
Underwriter(s) or Distributor(s):
Paradigm Capital Inc.
Promoter(s):
-
Project #988596

Issuer Name:
MSP 2006 Resource Limited Partnership
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated October 18, 2006
Mutual Reliance Review System Receipt dated October 18, 2006
Offering Price and Description:
Maximum $20,000,000.00 (800,000 Units) @ $25 per Unit;
Minimum $10,000,000.00 (400,000 Units) @ $25 per Unit
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Scotia Capital Inc.
TD Securities Inc.
HSBC Securities (Canada) Inc.
Canaccord Capital Corporation
Dundee Securities Corporation
Raymond James Ltd.
Berkshire Securities Inc.
Blackmont Capital Inc.
Desjardins Securities Inc.
IPC Securities Corporation
Wellington West Capital Inc.
Promoter(s):
MSP Capital Corporation
Project #995515

Issuer Name:
North American Palladium Ltd.
Type and Date:
Final Short Form Base Shelf Prospectus dated October 20, 2006
Receipted on October 23, 2006
Offering Price and Description:
73,052 COMMON SHARES
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #999851

Issuer Name:
Redwood Diversified Equity Fund
Redwood Diversified Income Fund
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated October 20, 2006
Mutual Reliance Review System Receipt dated October 23, 2006
Offering Price and Description:
A and O Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
Redwood Asset Management Inc.
Project #990726

Issuer Name:
Sandvine Corporation
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated October 18, 2006
Mutual Reliance Review System Receipt dated October 19, 2006
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
CIBC World Markets Inc.
RBC Dominion Securities Inc.
BMO Nesbittt Burns Inc.
National Bank Financial Inc.
Promoter(s):
-
Project #992979

Issuer Name:
Sienna Gold Inc.
Principal Regulator - Alberta
Type and Date:
Final Short Form Prospectus dated October 16, 2006
Mutual Reliance Review System Receipt dated October 18, 2006
Offering Price and Description:
A maximum of 7,150,000 Units ($5,005,000.00); and a minimum of 4,300,000 Units ($3,010,000.00) Price: $0.70 per Unit
Underwriter(s) or Distributor(s):
Wolverton Securities Ltd.
Promoter(s):
-
Project #993678

Issuer Name:
Utility Split Trust
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated October 24, 2006
Mutual Reliance Review System Receipt dated October 24, 2006
Offering Price and Description:
$120,000,000.00 (Maximum) - 12,000,000 Preferred Securities @ $10 per Preferred Security
$180,000,000.00 (Maximum) - 12,000,000 Capital Units @ $15 per Capital Units
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
National Bank Financial Inc.
BMO Nesbitt Burns Inc.
Scotia Capital Inc.
TD Securities Inc.
HSBC Securities (Canada) Inc.
Canaccord Capital Corporation
Raymond James Ltd.
Blackmont Capital Inc.
Dundee Securities Corporation
Berkshire Securities Inc.
Desjardins Securities Inc.
Research Capital Corporation
Wellington West Capital Inc.
Promoter(s):
First Asset Funds Inc.
Project #995854

Issuer Name:
CMP 2006 II Resource Limited Partnership
Principal Jurisdiction - Ontario
Type and Date:
Preliminary Prospectus dated April 27th, 2006
Withdrawn on October 23rd, 2006
Offering Price and Description:
100,000,000.00 (maximum); 100,000 Limited Partnership Units Price per Unit: $1,000 Minimum Subscription: $5,000 (Five Units)
Underwriter(s) or Distributor(s):
Dundee Securities Corporation
Promoter(s):
CMP 2006 II Corporation
Project #927169

Issuer Name:
Secunda International Limited
Principal Jurisdiction - Nova Scotia
Type and Date:
Second Amended and Restated Preliminary Prospectus dated September 25th, 2006
Withdrawn on October 19th, 2006
Offering Price and Description:
$ * - * Common Shares Price: $ * per Common Share
Underwriter(s) or Distributor(s):
Genuity Capital Markets G.P.
RBC Capital Markets
TD Securities Inc.
CIBC World Markets Inc.
GMP Securities L.P.
National Bank Financial Inc.
Fortis Securities LLC
Scotia Capital Inc.
Promoter(s):
-
Project #956693

Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	Bradford Bachinski Limited	Limited Market Dealer	October 18, 2006
New Registration	Investment Strategies Inc.	Investment Counsel & Portfolio Manager	October 20, 2006
New Registration	Dubeau Capital & Cie Ltée/Dubeau Capital & Co.Ltd.	Investment Dealer	October 23, 2006
New Registration	Stellation Asset Management LLC	International Adviser and Limited Market Dealer	October 23, 2006

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 MFDA Proposed Policy 6 - Information Reporting Requirements, Notification of Change in Registration Information (Rule 1.2.5) and Consequential Amendments

MFDA PROPOSED POLICY 6 - INFORMATION REPORTING REQUIREMENTS, NOTIFICATION OF CHANGE IN REGISTRATION INFORMATION (RULE 1.2.5) AND CONSEQUENTIAL AMENDMENTS

I. OVERVIEW

A. Current Rules

MFDA Rules and Policies currently require reporting of certain enforcement and compliance related information to the MFDA. Under Policy 3, Approved Persons must report all written complaints to the Member, and the Member must report complaints involving allegations of theft, misappropriation of funds or securities, and forgery to the MFDA. Settlements of $25,000 or greater by the Member or $15,000 or greater by Approved Persons must also be reported to the MFDA.

Under Rule 1.2.5, Members must report changes in registration information to the MFDA, such as changes in a Member's address, a bankruptcy or insolvency of a member and changes to material information previously filed with the MFDA. Details regarding what changes to material information under Rule 1.2.5 must be filed with the MFDA are set out in Bulletin #0082.

Under Rule 1.2.6, Members are required to notify the MFDA of the termination of an employment or agency relationship with an Approved Person where the Notice of Termination filed with the applicable securities commission discloses that the Approved Person was dismissed for cause or discloses information regarding unresolved client complaints, internal discipline matters or restrictions for violation of regulatory requirements.

Currently all such reporting to the MFDA is paper-based.

B. The Issues

Currently MFDA reporting is required by several MFDA instruments and all reporting is paper based. The use of electronic reporting will benefit Members in terms of ease of use, as well as the MFDA and the public in terms of the increased regulatory oversight of industry trends through trend and data analysis which will be conducted on the electronic reports. The scope of matters to be reported must be expanded to allow the MFDA to perform a broader assessment of activities of Approved Persons and Members.

C. Objectives

The objective of the proposed Policy 6, amendments to Rule 1.2.5 and consequential amendments are to consolidate many MFDA reporting requirements into a single instrument, expand the scope of matters that must be reported and to require that enforcement and compliance related information be reported electronically.

D. Effect of Proposed Amendments

The proposed amendments will impose new requirements with respect to reporting of information to the MFDA.

The proposed Rule and Policy will lead to an increase in compliance costs for Members in that proposed Rule 1.2.5 and Policy 6 require that Approved Persons submit various reports to the Member which Members will be required to review. The Member will also be required to submit various reports to the MFDA relating to the Member and the Approved Person.

While certain reports under Policy 6 will be filed electronically by Members, there will not be any substantial technological systems changes required on the part of Members as the electronic reporting system will be web-based, and Members are presently mandated to file financial reports through the MFDA EFS System which is a web-based system for filing financial reports. The web-based reporting system will support Internet Explorer version 6.0 which is the most frequently used version of Internet Explorer. Members using previous versions will need to upgrade to version 6 in order to ensure proper functionality of the program. Costs to Members that must upgrade are expected to be low as there is no cost for the software and the upgrade is generally expected to cause few, if any, technical issues.

It is not expected that the proposed Policy and Rule will have other significant effects on Members, other market participants, market structure or competition. Although the proposed Policy and Rule imposes costs on Members relating to reporting, the MFDA is of the view that these costs are generally not significant and are justified by the anticipated benefits.

II. DETAILED ANALYSIS

A. Relevant History

MFDA Rules and Policies currently require members to report certain information relating to client complaints, terminations, client settlements and legal proceedings against approved persons. A strategic assessment of the MFDA's current reporting requirements identified a need for staff to develop the proposed Policy to increase the effectiveness of such reporting through an electronic process, and to increase the scope of such reporting to enhance the ability of the MFDA to assess member risk, identify cases for enforcement investigation, identify member issues for compliance examinations and identify general trends in industry to assist in policy development and other MFDA purposes.

B. Proposed new Policy and Rule

Proposed Rule 1.2.5

Rule 1.2.5 will be repealed and replaced with proposed Rule 1.2.5 that effectively provides that members must report the information that is prescribed in Policy 6. Proposed Rule 1.2.5 requires that Members report to the MFDA all matters relating to complaints, criminal, civil and other legal proceedings, regulatory proceedings, arbitrations, contraventions and potential contraventions of legal and regulatory requirements, disciplinary action by regulatory bodies or by Members against Approved Persons, settlements with and compensation paid to clients, registration or licensing by any regulatory body, bankruptcies, insolvencies, garnishments and related events, investigations by Members relating to any of the enumerated matters, and information relating to the business and operation of the Member. The rule requires that Approved Persons submit reports to their Member regarding the same enumerated matters.

Proposed Rule 1.2.5 will also provide that Members must pay levies or assessments on non-reporting or late reporting under the Rule and Policy. This will be similar to current obligations relating to late financial filings under Rule 3.5.5.

Policy 6

Proposed Rule 1.2.5 sets out the general reporting requirements for Members and Approved Persons, while Policy 6 prescribes events and the manner in which the events must be reported under proposed Rule 1.2.5. Policy 6 is divided into four main areas which are discussed below:

Introduction, Definitions and General Reporting Requirements

These three sections apply to the entire Policy. The Introduction and Definitions sections are self-explanatory. The purpose of the General Requirements section is to clarify the scope of activity that must be reported. Members are required to report events relating to both securities related business and other Member business. Approved Person reporting includes reportable events relating to securities related business, Member business and all other business conducted by the Approved Person.

Members are required to report events relating to Approved Persons to the MFDA which they become aware of, either through a report by the Approved Person or through carrying out their supervisory, monitoring and review obligations over the conduct of its business. The Policy will require Members to designate a person to receive reports that are submitted by Approved Persons. There is also a record-keeping requirement, which is consistent with the general record-keeping obligations of Members under MFDA Rules.

Part A - Approved Person Reporting Requirements

Policy 6 will require Approved Persons to report the occurrence of certain events to their sponsoring Member.

Approved Person reporting can generally be divided into eight categories of reports:

1. Breaches of Criminal Laws
2. Breaches of Regulatory Requirements
3. Civil Claims
4. Denial or withdrawal of registration or licenses

5. Written Complaints

6. Complaints not in writing relating to theft, fraud, misappropriation, forgery money laundering, market manipulation, insider trading, engaging in securities related business outside of the Member and unauthorized trading relating to themselves or another Approved Person.

7. Bankruptcies

8. Garnishments

Details regarding a reportable item must be reported to a designated person at the Member within two days. Policy 6 states that the reporting of an event must be done in such detail as required by the Member. Policy 6 allows flexibility as to how Members set procedures for receiving such reports from Approved Persons.

Part B - Member Electronic Reporting Requirements

Members are required to electronically report on matters relating to the Member, current Approved Persons, and former Approved Persons if the event concerns matters that occurred while an Approved Person of the Member. All matters under this section must be reported to the MFDA through a web-based reporting system provided by the MFDA.

Under section 6.1, Members must generally report the same eight categories of reports that Approved Persons must report to the Member.

Under section 7.1, Members must provide follow-up information on any resolution or conclusion of any of the above reported events, including any discipline, termination of Approved Persons, any judgments, settlements or payment of compensation to a client, as well as the results of any internal investigation.

In addition to the events that are to be reported in section 6.1, section 8.1 outlines additional situations in which members must report to the MFDA. These situations involve conduct which itself is not reportable on its own, but has been the subject of a significant level of disciplinary or compensatory response by the Member or Approved Person that would warrant consideration by the MFDA.

Policy 6 provides that all reports under Part B must be submitted to the MFDA within five business days of the occurrence of the event, except for customer complaints which must be submitted within 20 business days.

Part C – Other Member Reporting Requirements

Part C provides for Member reporting of certain information that is generally related to material changes to membership information previously filed with the MFDA, which is currently a requirement under Rule 1.2.5. The language of the reporting requirement in rule 1.2.5 has been amended to information relating to “business and operations of the Member and its Approved Persons” to provide for a degree of flexibility. Information reported under Part C is not reported electronically. Reportable information in Part C was previously communicated to Members in Member Bulletin #0082.

Policy 6 provides that all reports under Part C must be submitted to the MFDA within five business days of the occurrence of the event, except for Member bankruptcies and insolvencies which must be reported immediately.

Consequential Amendments

As Policy 6 sets out most reporting requirements for Members, there will be an overlap with some existing MFDA reporting requirements contained in various Rules and Policies which consequentially must be repealed in whole or in part.

Policy 3 will be amended to remove the requirements for Approved Persons to report complaints to their head offices and for Members to report complaints involving allegations of theft, misappropriation of funds or securities, and forgery to the MFDA, as these requirements will be incorporated into Policy 6. The requirement to report settlement agreements and dispositions of security related claims will also be removed from Policy 3 as these reports will now be required by Policy 6.

Rule 1.2.5 will be repealed and replaced by proposed Rule 1.2.5. Rule 1.2.5 requires that Members report changes in registration information to the MFDA, such as changes in a Member’s address, a bankruptcy or insolvency of a member and changes to material information previously filed with the MFDA. These reports will now be required by Policy 6.

Rule 1.2.6 will be repealed and its substance incorporated into Policy 6. Rule 1.2.6 required Members to report terminations of Approved Persons to the MFDA.

C. Issues and Alternatives Considered

An internal analysis was conducted to identify what information the enforcement and compliance department would require to be reported in order to effectively track industry trends, and to increase investor protection. The MFDA considered the need for increased reporting along with the increased demands the new reporting would have on Members and Approved Persons. The MFDA considered several alternatives with respect to the scope of reporting that it would require. MFDA staff consulted with Members and outside counsel to determine the appropriate balance between the need for regulatory reporting and the increased cost in terms of resources to Members.

D. Comparison with Similar Provisions

A comparison of relevant rules and by-laws of the Investment Dealers Association was conducted.

E. Systems Impact of Amendments

While certain reports under Policy 6 will be filed electronically by Members, there will not be any major technological systems changes required on the part of Members as the electronic reporting system will be web-based, and Members are presently mandated to file financial reports through the MFDA EFS System which is a web-based system for filing financial reports.

The web-based reporting system will support Internet Explorer version 6.0 which is the most frequently used version of Internet Explorer. Members using previous versions will need to upgrade to version 6 in order to ensure proper functionality of the program. Costs to Members that must upgrade are expected to be low as there is no cost for the software and the upgrade is generally expected to cause few, if any, technical issues.

F. Best Interests of the Capital Markets

The Board has determined that the proposed amendments are in the best interests of the capital markets.

G. Public Interest Objective

The proposed amendments will establish reporting standards with respect to MFDA Members and Approved Persons that are consistent with practices followed by the Investment Dealers Association. The proposed amendments will assist in the protection of the investing public by increasing MFDA regulatory oversight over industry trends, assisting in detecting fraud and other similar malicious acts and assisting in promoting high standards of business conduct and ethics.

III. COMMENTARY

A. Filing in Other Jurisdictions

The proposed By-law amendments will be filed for approval with the Alberta, British Columbia, Nova Scotia, and Ontario Securities Commissions and the Saskatchewan Financial Services Commission.

B. Effectiveness

The proposed amendments are simple and effective.

C. Process

The proposed Policy, Rule and amendments have been prepared in consultation with relevant departments within the MFDA and have been reviewed by external counsel, the Policy Advisory Committee of the MFDA and the Regulatory Issues Committee of the Board. The MFDA Board of Directors has also approved the proposed amendments.

E. Effective Date

The proposed amendments will be effective on a date to be subsequently determined by the MFDA.

IV. SOURCES

MFDA Rule 1.2.5
MFDA Rule 1.2.6
MFDA Policy 3
MFDA Policy 6
IDA Policy 8

V. REQUIREMENT TO PUBLISH FOR COMMENT

The MFDA is required to publish for comment the proposed amendments so that the issues referred to above may be considered by the Recognizing Regulators.

The MFDA has determined that the entry into force of the proposed amendments would be in the public interest and is not detrimental to the capital markets. 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 the Corporate Secretary, Mutual Fund Dealers Association of Canada, 121 King St. West, Suite 1000, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of Leslie Rose, Senior Legal Counsel, British Columbia Securities Commission, 701 West Georgia Street, P.O. Box 10142, Pacific Centre, Vancouver, British Columbia, V7Y 1L2.

On request, the MFDA will make available all comments received during the comment period.

Questions may be referred to:

Shaun Devlin
Vice-President, Enforcement
Mutual Fund Dealers Association of Canada
(416) 943-4672

MUTUAL FUND DEALERS ASSOCIATION OF CANADA
INFORMATION REPORTING REQUIREMENTS (POLICY NO. 6)

1. Introduction

This Policy establishes minimum requirements concerning events that Approved Persons are required to report to Members and events that Members are required to report to the MFDA pursuant to Rule 1.2.5.

Part A of this Policy, entitled "*Approved Person Reporting Requirements*", sets out details regarding the reporting of information under Rule 1.2.5(b) by Approved Persons.

Part B of this Policy, entitled *"Electronic Reporting Requirements for Members*", sets out details regarding reporting of information under Rule 1.2.5(a)(i) and Rule 1.2.5(a)(ii) by Members. All reporting under Part B must be submitted through the electronic reporting system provided by the MFDA. The reporting of events that are required to be submitted electronically by any other means is a failure to report the event and a failure to comply with this Policy.

Part C of this Policy, entitled "*Other Reporting Requirements for Members",* sets out details regarding reporting of information under Rule 1.2.5(a)(iii) by Members. All reporting under Part C must be submitted to the MFDA in writing.

In addition to these reporting requirements, MFDA Members are required to comply with other reporting requirements which may change from time to time, and which include but are not limited to:

(a) MFDA reporting requirements, some of which may also require MFDA approval:

  (i) By-law No.1 section 13.7 – Reorganizations, mergers and amalgamations;

  (ii) By-law No. 1 section 13.9 – Changes in ownership and control;

  (iii) Rule 1.1.6 – Introducing/Carrying dealer arrangements;

  (iv) Rule 3.1.1 – Change in dealer level;

  (v) Rule 3.1.2 – Risk adjusted capital less than zero;

  (vi) Rule 3.2.5 – Accelerated payment of long term debt; and

  (vii) Rule 3.5 – Financial filing requirements

(b) reporting requirements under applicable provincial securities laws in connection with a Member's mutual fund dealer registration.

2. Definitions

"any jurisdiction" means any jurisdiction inside or outside of Canada.

"business day" means a day other than Saturday, Sunday or any officially recognized Federal or Provincial Statutory holiday.

"civil claim" includes civil claims pending before a court or tribunal and arbitration.

"client" means an individual who is a client of the Member.

"compensation" means the payment of a sum of money, securities, reversal or inclusion of a securities transaction (whether the transaction has a realized or unrealized loss) or any other equivalent type of entry which is intended to compensate a client or offset an act of a Member or Approved Person. A correction of a client account or position as a result of good faith trading errors and omissions is not considered to be "compensation" for the purposes of this Policy.

"event" means a matter that is reportable under this Policy by a Member or Approved Person.

"law" includes, but is not limited to, all legislation of any jurisdiction and includes any rules, policies, regulations, rulings or directives of any securities regulatory authority of any jurisdiction.

"member business" means all business activities conducted by and through the Member, whether securities related or otherwise.

"misrepresentation" means:

(i) an untrue statement of fact, either in whole or in part; or

(ii) an omission to state a fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

"regulatory body" means, but is not limited to, any regulatory or self-regulatory organization that grants persons or organizations the right to deal with the public in any capacity.

"regulatory requirements" means, but is not limited to, the by-laws, rules, policies, regulations, rulings, orders, terms and conditions of registration, or agreements of any regulatory body in any jurisdiction.

"securities" includes exchange contracts, commodity futures contracts and commodity futures options.

"service complaints" means:

(i) any complaint by a client which is founded on customer service issues and is not the subject of any securities law or regulatory requirements; or

(ii) any complaint by a client as a result of a good faith trading error or omission.

3. General Reporting Requirements

3.1. Events regarding Members that must be reported shall not be limited solely to securities related business, but shall include all member business.

3.2. Events regarding Approved Persons that are reported by Approved Persons to the Member shall not be limited solely to securities related business and member business, but shall include all business conducted by the Approved Person.

3.3. A Member's obligation to report an event relating to an Approved Person under this Policy is limited to events of which it has become aware regardless of the means by which it became aware of the event.

3.4. A Member is expected to be aware of events relating to Approved Persons by the receipt of reports from Approved Persons and by carrying out the Member's supervisory, monitoring and review obligations over the conduct of its business.

3.5. All requirements to report events regarding former Approved Persons are limited to events which occurred while the Approved Person was an Approved Person of the Member.

3.6. A Member shall designate a compliance officer at its head office (or another person at head office) to whom reports made by Approved Persons, as required by section 4, shall be submitted.

3.7. Documentation associated with each event required to be reported under this Policy shall be maintained for a minimum of 7 years from the resolution of the matter and made available to the MFDA upon request.

PART A
APPROVED PERSON REPORTING REQUIREMENTS

4. Approved Person Reporting Requirements

4.1. An Approved Person shall report the following events to his or her current Member in such detail as required by the Member, within 2 business days:

(a) the Approved Person is the subject of a client complaint in writing;

(b) the Approved Person is aware of a complaint from any person, whether in writing or any other form, and with respect to him or herself, or any other Approved Person, involving allegations of:

(i) theft, fraud, misappropriation of funds or securities, forgery, money laundering, market manipulation, insider trading, misrepresentation, or unauthorized trading; or

(ii) engaging in securities related business outside of the Member.

(c) whenever the Approved Person has reason to believe that he or she has or may have contravened, or is named as a defendant or respondent in any proceeding, in any jurisdiction, alleging the contravention of:

(i) any securities law; or

(ii) any regulatory requirements.

(d) the Approved Person is charged with, convicted of, pleads guilty or no contest to, any criminal offence, in any jurisdiction;

(e) the Approved Person is named as a defendant in a civil claim, in any jurisdiction, relating to the handling of client accounts or trading or advising in securities;

(f) the Approved Person is denied registration or a license that allows the Approved Person to deal with the public in any capacity by any regulatory body, or has such registration or license cancelled, suspended or terminated, or made subject to terms and conditions;

(g) the Approved Person becomes bankrupt or suspends payment of debts generally or makes an arrangement with creditors or makes an assignment or is declared insolvent; and

(h) there are garnishments outstanding or rendered against the Approved Person in any civil court in Canada.

PART B
ELECTRONIC REPORTING REQUIREMENTS FOR MEMBERS

5. General Member Electronic Reporting Requirements

5.1. Members shall report the following events to the MFDA, through an electronic reporting system provided by the MFDA, within 5 business days of the occurrence of the event, except for events reported under section 6.1(a) of this Policy, which must be reported to the MFDA within 20 business days.

6. General Events to be Reported

6.1. Members shall report to the MFDA:

(a) all client complaints in writing, against the Member or a current or former Approved Person, relating to member business, except service complaints;

(b) whenever a Member is aware, through a written or verbal complaint or otherwise, that the Member or any current or former Approved Person has or may have contravened any provision of any law or has contravened any regulatory requirement, relating to:

(i) theft, fraud, misappropriation of funds or securities, forgery, money laundering, market manipulation, insider trading, misrepresentation, or unauthorized trading; or

(ii) engaging in securities related business outside of the Member.

(c) whenever the Member, or a current or former Approved Person, is:

(i) charged with, convicted of, pleads guilty or no contest to, any criminal offence, in any jurisdiction;

(ii) named as a defendant or respondent in, or is subject of, any proceeding or disciplinary action, in any jurisdiction, alleging contravention of any securities law;

(iii) named as a defendant or respondent in, or is the subject of, any proceeding or disciplinary action, in any jurisdiction, alleging contravention of regulatory requirements;

(iv) denied registration or a license that allows a person to deal with the public in any capacity by any regulatory body, or has such registration or license cancelled, suspended or terminated, or made subject to terms and conditions; or

(v) named as a defendant in a civil claim, in any jurisdiction, relating to handling of client accounts or trading or advising in securities.

(d) whenever an Approved Person becomes bankrupt or suspends payment of debts generally or makes an arrangement with creditors or makes an assignment or is declared insolvent; and

(e) there are garnishments outstanding or rendered against the Member or an Approved Person in any civil court in Canada.

7. Reporting of Resolution of Events

7.1. Members shall update event reports previously reported to reflect the resolution of any event that has been reported pursuant to section 6.1 of this Policy and such resolutions shall include but not be limited to:

(a) any judgments, awards, arbitration awards or orders and settlements in any jurisdiction;

(b) compensation paid to clients directly or indirectly, or any benefit received by clients from a Member or Approved Person directly or indirectly;

(c) any internal disciplinary action or sanction against an Approved Person by a Member;

(d) the termination of an Approved Person; and

(e) the results of any internal investigation conducted.

8. Other Events to be Reported

8.1. For matters that are not the subject of an event report in section 6.1 of this Policy, the Member shall report to the MFDA:

(a) whenever the Member has initiated disciplinary action that involves suspension, demotion or the imposition of increased supervision on an Approved Person;

(b) whenever the Member has initiated disciplinary action that involves the withholding of commissions or the imposition of a financial penalty in excess of $1000;

(c) whenever an employment or agency relationship with an Approved Person is terminated and the Notice of Termination filed with the applicable securities commission discloses that the Approved Person was terminated for cause, or discloses information regarding internal discipline matters or restrictions for violations of regulatory requirements; and

(d) whenever the Member or Approved Person has paid compensation to a client either directly or indirectly in an amount exceeding $15,000.

PART C
OTHER REPORTING REQUIREMENTS FOR MEMBERS

9. Other Information Reporting Requirements for Member

9.1. Members shall report the events under Part C of this Policy to the MFDA, in writing, within 5 business days of the occurrence of the event, except for events reported under section 10 of this Policy, which must be reported to the MFDA immediately.

10. Bankruptcy, Insolvency and Related Events

10.1. Members must report to the MFDA whenever:

(a) the Member is declared bankrupt;

(b) the Member makes a voluntary assignment in bankruptcy;

(c) the Member makes a proposal under any legislation relating to bankruptcy or insolvency;

(d) the Member is subject to, or instituting any proceedings, arrangement or compromise with creditors; and

(e) a receiver and/or manager assumes control of the Member's assets.

11. Change of Name

11.1. Members must report to the MFDA any change with respect to:

(a) the legal name of the Member;

(b) the names under which the Member carries on business (trade or style names); and

(c) trade, business or style names, other than that of the Member, used by Approved Persons. The name of the Approved Person, the trade or business name the Approved Person is using, and the Approved Person's branch location must be provided.

12. Change of Contact Information

12.1. Members must notify the MFDA of any change in address for service or main telephone or fax number.

13. Change in Member Registration or Licensing

13.1. Members must report to the MFDA any changes in the following:

(a) type of registration or licensing with the relevant securities commission;

(b) jurisdictions in which any dealer business of the Member is conducted; and

(c) investment products traded or dealt in.

14. Changes in Organizational Structure

14.1. Members must report to the MFDA any changes in a Member's directors, partners (in the case of a partnership), officers and compliance officers.

15. Other Business Activities

15.1. Members must report to the MFDA any business, other than the sale of investment products, which the Member engages in or proposes to engage in.

16. Change of Auditor

16.1. Members must report to the MFDA any change in a Member's auditor and/or audit engagement partner. A new Letter of Acknowledgement (Schedule H.1 of the MFDA Membership Application Package) must be submitted to the MFDA.

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

HANDLING CLIENT COMPLAINTS (POLICY NO. 3)

Introduction

This Policy establishes minimum industry standards for handling client complaints. A "complaint" shall be deemed to mean any written statement of a client or any person acting on behalf of a client alleging a grievance involving the conduct, business or affairs of the Member or any registered salesperson, partner, director or officer of the Member.

Although the definition of "complaint" refers to only written complaints, there may be instances where a Member receives a verbal complaint from a client which will warrant the same treatment as a written complaint. Such situations depend upon the nature and severity of the client's allegations and require the professional judgement of the Member's supervisory staff handling the complaint.

Complaint Procedure

Each Member must establish procedures to deal effectively with client complaints, which should include the following:

1. Each Member must acknowledge all client complaints.

2. Each Member must convey the results of its investigation of a client complaint in writing to the client in due course.

3. Client complaints involving the sales practices of a Member, its partners, directors, officers, salespersons or employees or agents must be handled by qualified sales supervisors/compliance staff.

4. ~~Each Member and Approved Person must ensure that all complaints and pending legal actions are made known to the compliance officer at head office (or another person at head office designated to receive such information) within two business days.~~

5. Each Member must ensure that registered salespersons and their supervisors are made aware of all complaints filed by their clients.

6. Each Member must put procedures in place so that senior management is made aware of complaints of serious misconduct and of all legal actions.

7. Each Member must maintain in a central place an orderly, up-to-date record of complaints together with follow-up documentation regarding such complaints, for regular internal/external compliance reviews. For each complaint, the record should include the following information:

    - the date of the complaint;
    - the complainant’s name;
    - the name of the person who is the subject of the complaint;
    - the security or services which are the subject of the complaint; and
    - the date and conclusions of the decision rendered in connection with the complaint.

    This record must be retained for a period of seven years from the date of receipt of the complaint.

8. Each Member must establish procedures to ensure that breaches of MFDA By-laws, Rules and Policies are subjected to appropriate internal disciplinary procedures.

9. When a Member finds complaints to be a significant factor, internal procedures and practices should be reviewed, with recommendations for changes to be submitted to the appropriate management level.

~~Complaint Reporting~~

~~Each Member shall promptly report to the MFDA whenever such Member or partner, director, officer, salesperson, employee or agent of the Member, is the subject of any client complaint involving allegations of theft or misappropriation of funds or securities or of forgery.~~

Settlement Agreements and Disposition of Claims

~~Each Member shall report to the MFDA whenever:~~

~~(i) such Member has entered into a private settlement or has disposed of any claim in securities-related litigation or arbitration by judgement, award or settlement where the amount of the judgement, award or settlement exceeds $25,000; or~~

~~(ii) a partner, director, officer, salesperson, employee or agent of the Member has entered into a private settlement or has disposed of any claim in securities-related litigation or arbitration by judgement, award or settlement where the amount of the judgement, award or settlement exceeds $15,000.~~

No Approved Person shall, without the prior written consent of the Member, enter into any settlement agreement with a client.

No Member or Approved Person of such Member may impose confidentiality restrictions on clients with respect to the MFDA or a securities commission, regulatory authority, law enforcement agency, self-regulatory organization, stock exchange or other trading market as part of a resolution of a dispute or otherwise.

MUTUAL FUND DEALERS ASSOCIATION OF CANADA
NOTIFICATION OF CHANGES IN REGISTRATION INFORMATION (Rule 1.2.5)

~~1.2.5 **Notification of Changes in Registration Information**. Every Member must notify the Corporation within five business days, and immediately in the case of the events in (c), of:~~

~~(a) any change in address for service in a province or territory in which it carries on business;~~

~~(b) material changes in any other information previously filed by or on behalf of the Member with the Corporation, including a charge or an indictment against such Member pursuant to any criminal laws or securities legislation; and~~

~~(c) the Member being declared bankrupt or making a voluntary assignment in bankruptcy or a proposal under any legislation relating to bankruptcy or insolvency, being subject to or instituting any proceedings, arrangement or compromise with creditors or having a receiver and/or manager appointed to hold its assets.~~

1.2.5 **Reporting Requirements**.

(a) **Member Reporting**. Every Member must report to the Corporation such information, in a manner and within such period of time, as may be prescribed by the Corporation from time to time relating to:

(i) complaints, criminal, civil and other legal proceedings, regulatory proceedings, arbitrations, contraventions and potential contraventions of legal and regulatory requirements, disciplinary action by regulatory bodies or by Members against Approved Persons, settlements with and compensation paid to clients, registration or licensing by any regulatory body, bankruptcies, insolvencies, garnishments and related events;

(ii) investigations by the Member relating to any of the matters in sub-section (i); and

(iii) information relating to the business and operation of the Member and its Approved Persons.

(b) **Approved Person Reporting**. Every Approved Person must report to the Member such information, in a manner and within such period of time, as may be prescribed by the Corporation from time to time relating to complaints, criminal, civil and other legal proceedings, regulatory proceedings, arbitrations, contraventions and potential contraventions of legal and regulatory requirements, disciplinary action by regulatory bodies, settlements with and compensation paid to clients, registration or licensing by any regulatory body, bankruptcies, insolvencies, garnishments and related events.

(c) **Failure to Report**. A Member shall be liable for and pay to the Corporation levies or assessments in the amounts prescribed from time to time by the Corporation for the failure of the Member or Approved Person to report any information required to be reported in the manner and within the period of time prescribed by the Corporation.

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

NOTIFICATION OF TERMINATION OF APPROVED PERSONS (Rule 1.2.6)

~~1.2.6 **Notification of Termination of Approved Persons**. Every Member must notify the Corporation within five business days of the termination of an employment or agency relationship with an Approved Person where the Notice of Termination filed with the applicable securities commission discloses that the Approved Person was dismissed for cause or discloses information regarding unresolved client complaints, internal discipline matters or restrictions for violation of regulatory requirements. The Member must comply with this requirement by filing a copy of the Notice of Termination prescribed by the applicable securities commission with the MFDA.~~

13.1.2 CDS Rule Amendment – Delivery Services – Revisions in Response to Comments

CDS RULE AMENDMENT – DELIVERY SERVICES

PROPOSED RULE AMENDMENTS – REVISIONS IN RESPONSE TO COMMENTS

Text of CDS Participant Rules marked to reflect (1) proposed Rule published for comment on July 21, 2006 and [marked single underline] (2) revisions to version of proposed Rule published for comment on July 21, 2006 [marked double underline]	Text of CDS Participant Rules reflecting the adoption of proposed amendments
1.1.1 Application	**1.1.1 Application**
The Rules adopted by CDS by which each Participant has agreed to be bound pursuant to the Participant Agreement are:	The Rules adopted by CDS by which each Participant has agreed to be bound pursuant to the Participant Agreement are:
Rule 1 - Documentation ...	Rule 1 - Documentation ...
Rule 11 - TA Participants	Rule 11 - TA Participants
Rule 12 - ATON	Rule 12 - ATON
Rule 13 - Delivery Services.	Rule 13 - Delivery Services.
1.2.1 Definitions	**1.2.1 Definitions**
"**Delivery Services" means the Service made available by CDS and described in Rule 13.**	"Delivery Services" means the Service made available by CDS and described in Rule 13.
"Service" means the Depository Service, the Settlement Service, a Cross-Border Service**,** ~~or~~ ATON **or the Delivery Services**. Any reference to a Service includes all Functions made available in respect of that Service.	"Service" means the Depository Service, the Settlement Service, a Cross-Border Service, ATON or the Delivery Services. Any reference to a Service includes all Functions made available in respect of that Service.
4.2.3 CDS Liability for Participant Loss	**4.2.3 CDS Liability for Participant Loss**
CDS shall be liable to its Participants for any Participant Loss, subject to the limitations set out in Rules 4.2.5 and 4.2.9. A "Participant Loss" means any loss, damage, cost, expense, liability or claim suffered or incurred by a Participant, other than a Loss of Securities, which arises from a Participant's participation in a Service, but only to the extent such was caused or contributed to by any act or omission of CDS or of any director, officer, employee, contractor or agent of CDS done while acting in the course of office, employment or service or made possible by information or opportunities afforded by such office, employment or service. Neither DTC nor NSCC shall be considered to be an agent of CDS for purposes of this Rule 4.2.3. Notwithstanding the foregoing acceptance of liability, CDS shall not be liable to a Participant for any Participant Loss in respect of which that Participant is required to make indemnification pursuant to Rules 4.1, 10.2 or 10.5**, nor for any Participant Loss arising from the Delivery Services**.	CDS shall be liable to its Participants for any Participant Loss, subject to the limitations set out in Rules 4.2.5 and 4.2.9. A "Participant Loss" means any loss, damage, cost, expense, liability or claim suffered or incurred by a Participant, other than a Loss of Securities, which arises from a Participant's participation in a Service, but only to the extent such was caused or contributed to by any act or omission of CDS or of any director, officer, employee, contractor or agent of CDS done while acting in the course of office, employment or service or made possible by information or opportunities afforded by such office, employment or service. Neither DTC nor NSCC shall be considered to be an agent of CDS for purposes of this Rule 4.2.3. Notwithstanding the foregoing acceptance of liability, CDS shall not be liable to a Participant for any Participant Loss in respect of which that Participant is required to make indemnification pursuant to Rules 4.1, 10.2 or 10.5, nor for any Participant Loss arising from the Delivery Services.
4.2.4 CDS's Liability for Loss of Securities	**4.2.4 CDS's Liability for Loss of Securities**
This Rule 4.2.4 applies only to CDSX and does not apply to the Cross-Border Services. On request by a Participant, CDS shall deliver to the Participant the Securities held by CDS for the Participant as shown in the records of CDS for the Participant's Securities Accounts. The obligation of CDS to	This Rule 4.2.4 applies only to CDSX and does not apply to the Cross-Border Services. On request by a Participant, CDS shall deliver to the Participant the Securities held by CDS for the Participant as shown in the records of CDS for the Participant's Securities Accounts. The obligation of CDS to

Text of CDS Participant Rules marked to reflect (1) proposed Rule published for comment on July 21, 2006 and [marked single underline] (2) revisions to version of proposed Rule published for comment on July 21, 2006 [marked double underline]	Text of CDS Participant Rules reflecting the adoption of proposed amendments
deliver Securities to a Participant is subject to the terms of issue of the Securities and to any restrictions, constraints or conditions on withdrawals imposed in accordance with the Rules, to the security interests granted pursuant to the Rules and to the rights of a Surety to the transfer of Securities from the Participant.	deliver Securities to a Participant is subject to the terms of issue of the Securities and to any restrictions, constraints or conditions on withdrawals imposed in accordance with the Rules, to the security interests granted pursuant to the Rules and to the rights of a Surety to the transfer of Securities from the Participant.
CDS shall be liable to its Participants for a Loss of Securities, subject to the limitations set out in Rules 4.2.5 and 4.2.9. A "Loss of Securities" means any circumstance in which CDS would be unable to deliver in accordance with the foregoing to all Participants all Securities held by CDS for them, including:	CDS shall be liable to its Participants for a Loss of Securities, subject to the limitations set out in Rules 4.2.5 and 4.2.9. A "Loss of Securities" means any circumstance in which CDS would be unable to deliver in accordance with the foregoing to all Participants all Securities held by CDS for them, including:
(a) the theft, destruction or mysterious disappearance of any certificate or other instrument evidencing Securities;	(a) the theft, destruction or mysterious disappearance of any certificate or other instrument evidencing Securities;
(b) the determination that any Security is a Defective Security; or	(b) the determination that any Security is a Defective Security; or
(c) the determination that the registration of any Security in the name of CDS, a Nominee, a Custodian or a nominee of a Custodian, is invalid, improper, defective, subject to any adverse claim or privilege or cannot be effectively and rightfully transferred.	(c) the determination that the registration of any Security in the name of CDS, a Nominee, a Custodian or a nominee of a Custodian, is invalid, improper, defective, subject to any adverse claim or privilege or cannot be effectively and rightfully transferred.
Notwithstanding the foregoing acceptance of liability, CDS shall not be liable to any Participant for any Loss of Securities in respect of which that Participant is required to make indemnification pursuant to Rule 4.1. **For greater certainty, the loss of or damage to any shipment by a Participant through the Delivery Services is not a Loss of Securities.**	Notwithstanding the foregoing acceptance of liability, CDS shall not be liable to any Participant for any Loss of Securities in respect of which that Participant is required to make indemnification pursuant to Rule 4.1. For greater certainty, the loss of or damage to any shipment by a Participant through the Delivery Services is not a Loss of Securities.
RULE 13 DELIVERY SERVICES	**RULE 13 DELIVERY SERVICES**
13.1 General Description	**13.1 General Description**
Participants may use the Delivery Services to deliver Securities and other documents to designated recipients, including CDS, other Participants, Transfer Agents, DTC and NSCC. Participants may use the Delivery Service for a variety of purposes, including facilitating the deposit or withdrawal of Securities into or from CDSX and transactions in the Cross-Border Services. Participants are not required to use the Delivery Services.	Participants may use the Delivery Services to deliver Securities and other documents to designated recipients, including CDS, other Participants, Transfer Agents, DTC and NSCC. Participants may use the Delivery Service for a variety of purposes, including facilitating the deposit or withdrawal of Securities into or from CDSX and transactions in the Cross-Border Services. Participants are not required to use the Delivery Services.
13.2 Means of Delivery	**13.2 Means of Delivery**
As determined by CDS, shipments through the Delivery Service may be made by CDS employees, by employees of Transfer Agents or other third parties, by a courier service under contract with CDS, or by a combination of such means. Deliveries may be made to or from a CDS Office, or the premises of a Participant, a Transfer Agent, DTC or NSCC or another Person. Deliveries may be made within the same city, between CDS Offices, between different cities or internationally.	As determined by CDS, shipments through the Delivery Service may be made by CDS employees, by employees of Transfer Agents or other third parties, by a courier service under contract with CDS, or by a combination of such means. Deliveries may be made to or from a CDS Office, or the premises of a Participant, a Transfer Agent, DTC or NSCC or another Person. Deliveries may be made within the same city, between CDS Offices, between different cities or internationally.

Text of CDS Participant Rules marked to reflect (1) proposed Rule published for comment on July 21, 2006 and [marked single underline] (2) revisions to version of proposed Rule published for comment on July 21, 2006 [marked double underline]	Text of CDS Participant Rules reflecting the adoption of proposed amendments
13.3 Courier Service **CDS may enter into a contract with a courier service to handle certain shipments through the Delivery Services. In entering into any such contract, CDS is the agent of the Participants using the Delivery Services; in offering the Delivery Services to Participants, CDS is not the agent of any such courier service; the provisions of this Rule 13 (including any disclaimer of responsibility and limitation of liability) apply only to CDS and to Participants, and do not apply to any such courier service. Each Participant using the Delivery Services will execute any direct pay rider or similar document with a courier service that may be required in accordance with the Procedures.** **13.4 Authorized Individuals** **Participants shall appoint Authorized Individuals to attend at CDS Offices for the purposes of making or receiving shipments through the Delivery Services and to take delivery of and to sign receipts for Securities and documents delivered through the Delivery Services.** **13.5 Procedures** **The Procedures describe the options available as part of the Delivery Services, the requirements for preparing and sending shipments through the Delivery Services (including the information to be recorded by the Participant concerning the contents of each Shipment, the use of sealed envelopes and the use of declarations of value), the processes for refusing shipments and for dealing with lost or damaged shipments, and the restrictions that are imposed on the content of shipments made through the Delivery Service. CDS has no responsibility to verify the contents of any envelope or other shipment made through the Delivery Services.** **13.6 CDS Disclaimer of Responsibility** **CDS has no responsibility for the contents of the envelopes delivered in any shipment made through the Delivery Services, nor for any damage to or loss of any shipment made through the Delivery Services. In the event that a shipment is lost or damaged, or that the contents of an envelope are not as expected, the Participant must deal directly with any courier involved in the shipment and with the party who made the shipment. CDS shall not be liable to any Participant for any loss, damage, cost, expense, liability or claim suffered or incurred by a Participant, which arises from the Delivery Services, whether arising from or in any way connected with a breach (including a fundamental breach) of the Legal Documents, or any negligent or reckless act or omission of CDS or any fraudulent, negligent, reckless or wilful act or omission of any director, officer, employee, agent or contractor of CDS.**	**13.3 Courier Service** CDS may enter into a contract with a courier service to handle certain shipments through the Delivery Services. In entering into any such contract, CDS is the agent of the Participants using the Delivery Services; in offering the Delivery Services to Participants, CDS is not the agent of any such courier service; the provisions of this Rule 13 (including any disclaimer of responsibility and limitation of liability) apply only to CDS and to Participants, and do not apply to any such courier service. Each Participant using the Delivery Services will execute any direct pay rider or similar document with a courier service that may be required in accordance with the Procedures. **13.4 Authorized Individuals** Participants shall appoint Authorized Individuals to attend at CDS Offices for the purposes of making or receiving shipments through the Delivery Services and to take delivery of and to sign receipts for Securities and documents delivered through the Delivery Services. **13.5 Procedures** The Procedures describe the options available as part of the Delivery Services, the requirements for preparing and sending shipments through the Delivery Services (including the information to be recorded by the Participant concerning the contents of each Shipment, the use of sealed envelopes and the use of declarations of value), the processes for refusing shipments and for dealing with lost or damaged shipments, and the restrictions that are imposed on the content of shipments made through the Delivery Service. CDS has no responsibility to verify the contents of any envelope or other shipment made through the Delivery Services. **13.6 CDS Disclaimer of Responsibility** CDS has no responsibility for the contents of the envelopes delivered in any shipment made through the Delivery Services, nor for any damage to or loss of any shipment made through the Delivery Services. In the event that a shipment is lost or damaged, or that the contents of an envelope are not as expected, the Participant must deal directly with any courier involved in the shipment and with the party who made the shipment. CDS shall not be liable to any Participant for any loss, damage, cost, expense, liability or claim suffered or incurred by a Participant, which arises from the Delivery Services, whether arising from or in any way connected with a breach (including a fundamental breach) of the Legal Documents, or any negligent or reckless act or omission of CDS or any fraudulent, negligent, reckless or wilful act or omission of any director, officer, employee, agent or contractor of CDS.

Text of CDS Participant Rules marked to reflect (1) proposed Rule published for comment on July 21, 2006 and [marked single underline] (2) revisions to version of proposed Rule published for comment on July 21, 2006 [marked double underline]	Text of CDS Participant Rules reflecting the adoption of proposed amendments
13.7 Insurance and Limitation of Participant Recovery **Each Participant acknowledges that CDS accepts no liability for losses arising from the Delivery Services and that it is the responsibility of the Participant to determine whether or not to use the Delivery Services for any shipment. Each Participant acknowledges that it is solely responsible for determining, based on its knowledge of its own activities and business, whether it requires a policy of insurance to provide coverage with respect to shipments made by it through the Delivery Services, and if so the terms of any such policy, including the risks to be covered and the amount of insurance to be maintained under any such insurance policy.**	**13.7 Insurance and Limitation of Participant Recovery** Each Participant acknowledges that CDS accepts no liability for losses arising from the Delivery Services and that it is the responsibility of the Participant to determine whether or not to use the Delivery Services for any shipment. Each Participant acknowledges that it is solely responsible for determining, based on its knowledge of its own activities and business, whether it requires a policy of insurance to provide coverage with respect to shipments made by it through the Delivery Services, and if so the terms of any such policy, including the risks to be covered and the amount of insurance to be maintained under any such insurance policy.
13.8 Deposit and Withdrawal of Securities **The Delivery Services may be used for shipments of Security Certificates evidencing Securities that are in the course of being deposited into or withdrawn from CDSX. If a Participant uses the Delivery Services to deliver a Security Certificate evidencing Securities for deposit into CDSX pursuant to Rule 6.2.4, then the Securities shall be considered to be a shipment through the Delivery Services, the disclaimer of responsibility in Rule 13.6 shall apply and CDS shall have no liability with respect to such Securities until the deposit has been effected and CDS has credited the Security to a Securities Account of the Participant. If a Participant uses the Delivery Services to receive delivery of a Security Certificate evidencing Securities withdrawn from CDSX pursuant to Rule 6.3.3, then the Securities shall be considered to be a shipment through the Delivery Services, the disclaimer of responsibility in Rule 13.6 shall apply and CDS shall have no liability with respect to such Securities from the time that the withdrawal has been effected and CDS has debited the Securities from the Withdrawal Account of the Participant.**	**13.8 Deposit and Withdrawal of Securities** The Delivery Services may be used for shipments of Security Certificates evidencing Securities that are in the course of being deposited into or withdrawn from CDSX. If a Participant uses the Delivery Services to deliver a Security Certificate evidencing Securities for deposit into CDSX pursuant to Rule 6.2.4, then the Securities shall be considered to be a shipment through the Delivery Services, the disclaimer of responsibility in Rule 13.6 shall apply and CDS shall have no liability with respect to such Securities until the deposit has been effected and CDS has credited the Security to a Securities Account of the Participant. If a Participant uses the Delivery Services to receive delivery of a Security Certificate evidencing Securities withdrawn from CDSX pursuant to Rule 6.3.3, then the Securities shall be considered to be a shipment through the Delivery Services, the disclaimer of responsibility in Rule 13.6 shall apply and CDS shall have no liability with respect to such Securities from the time that the withdrawal has been effected and CDS has debited the Securities from the Withdrawal Account of the Participant.

13.1.3 Material Amendments to CDS Rules Relating to Delivery Services – Summary of Comments

CDS RESPONSES TO COMMENTS RECEIVED ON
MATERIAL AMENDMENTS TO CDS RULES – DELIVERY SERVICES

On July 21st, 2006 a proposed amendment CDS Participant Rules relating to Delivery Services was published for comment.

CDS received one comment letter from State Street Trust Company of Canada and one comment via electronic mail from Canaccord Capital Inc.

SUMMARY OF WRITTEN COMMENTS RECEIVED ON THE PROPOSED AMENDMENT

The commentator's stated position was that it sought Rules that fairly allocated the risk with respect to shipments to or from CDS and noted several concerns with respect to the scope, applicability, and specificity included in the proposed amendments.

Comment 1 - State Street Trust Company of Canada

The commentator noted that there is no specific definition of "Delivery Services" included in section 1.2.1 of the Participant Rules and postulated as to whether the term is to refer the reader to Rule 13.

CDS Response

CDS proposes to amend the proposed amendment to include a definition of Delivery Services.

Comment 2 - State Street Trust Company of Canada

a) Commentator proposes that CDS be responsible for the risk of loss once a shipment made through the Delivery Services is received by CDS because CDS has control of said shipment upon receipt.

b) Commentator raises the matter of negligence or fraud on the part of a CDS employee.

c) Commentator suggests that shipment contents could be reviewed and inventoried upon receipt and that CDS could accept or refuse shipment based on such contents.

CDS Response

a) CDS has no knowledge of the contents of such shipments until opened. Assigning responsibility to CDS earlier in the Delivery Services process would make CDS liable for an unquantifiable loss. The Participant shipping such contents is fully knowledgeable of the potential loss and thus is in a better position to insure such potential loss. Requiring CDS to obtain insurance coverage for shipments of which CDS does not know the contents or value thereof makes such insurance problematic and costly. Additionally, Participants elect to use the Delivery Services, aside from CDSX deposits and withdrawals, and assume the responsibilities and liabilities associated with such. As stated in the aforementioned Request for Comments, "Participants are free to make shipments by using their own messengers or by contracting with commercial carriers and are under no obligation to use the CDS delivery services."

b) CDS is currently in the process of completing a review of its whole internal control structure. This review includes the Delivery Services. As the internal control review has the highest priority at the CDS Board of Directors level, CDS Participants effectively control the direction as to the degree of risk mitigation employed by CDS management regarding potential negligence or fraud on the part of a CDS employee in the Delivery Services. Also, while never a perfect prognostication tool, it is noted there has never been an instance of fraud on the part of a CDS employee in the Delivery Services nor has there been an instance of negligence determined.

c) From an operational efficiency perspective, this is not feasible. The Delivery Service is provided using a low-cost operational model. The additional resources required to create and maintain an inventorying system would cause the low-cost operational model to fail. Increased costs on CDS's behalf (that would be passed onto Participant users of the Delivery Services) would render the Delivery Services an unappealing Service for Participants – Participants would elect to use alternatives to CDS' Delivery Services. This would be undesirable especially after the investment of resources by CDS to create such an inventorying system.

Comment 3 - State Street Trust Company of Canada

Commentator raised concerns with regards to risk associated with withdrawals from CDS. Specifically, that:

> "[w]e are particularly troubled by the scenario in which CDS has effected the withdrawal of the Securities on its system and has possession of the Securities Certificate, but, due to the negligence of an employee of CDS, fails to timely send the certificates evidencing those Securities for delivery to the Participant."

CDS Response

When CDS receives a withdrawal request, it may be for a certificated issue or a non-certificated issue.

Certificated Issue Withdrawal

For a certificated issue withdrawal, CDS delivers a certificate (in CDS' nominee name) to the transfer agent which splits the certificate into two certificates (for example) and makes the certificates (one in CDS & Co.; the other in the Participant's nominee or client name) available for pick-up by CDS messenger in a sealed envelope. The envelope is brought to CDS' offices, the details are confirmed and the Withdrawal Account is debited, the Participant's certificate is available for pick-up by a duly authorized individual on the Participant's behalf and CDS' certificate is returned to the CDS vault. At this point the risk of loss for the Participant's certificate shifts to the Participant.

Non-Certificated Issue Withdrawal

For a non-certificated issue withdrawal request, the Participant makes an unconfirmed entry for the Participant's Withdrawal Account for the amount of the withdrawal. The transfer agent produces a certificate in a Participant's nominee name and then electronically confirms the entry to the Participant's Withdrawal Account. At this point the withdrawal has been effected and the Withdrawal Account debited. Liability from that point in time rests with the Participant. A CDS messenger picks up the sealed envelope containing the certificate in Participant's nominee name and returns it to CDS' offices where the certificate is then available for pick-up by a duly authorized individual on the Participant's behalf.

Comment 4 - State Street Trust Company of Canada

Commentator raised concerns in respect of acquiring insurance sufficient to mitigate the risk of loss inherent in the proposed Rule and resulting from CDS' disclaimer of liability.

CDS Response

CDS is of the view that it makes most sense that Participants that use the Delivery Services should obtain appropriate insurance coverage for their shipments, especially since CDS can never determine the contents of a particular shipment. Proposed Rule 13.6 makes it clear that since CDS is not responsible for loss, disclaimer of liability for those enumerated situations should apply. As provided in the Request for Comments:

> *Participants are already required as part of the standards of participation to maintain a policy of insurance (such as a financial institution bond). The Central Handling of Securities Rider forming part of such policies provides that the Participant's insurance coverage is enacted when loss exceeds CDS coverage (which under the proposed Rule amendments is nil). CDS is sympathetic to its Participant's business requirements, and anticipates that the application of a strong control environment for the Delivery Services would make it easier for a Participant to negotiate any additional insurance coverage that a Participant would need based on its level of usage and value of shipments.*

Comment 5 - Canaccord Capital Inc.

The commentator requested clarification with respect to its required insurance in regards to the armoured courier service. The commentator also asked how many times in a year has a CDS messenger lost a certificate on the way to the transfer agent?

CDS Response

CDS replied that under the Delivery Services that do not use armoured courier, CDS would not be responsible regardless of the shipped value and under the armoured courier option, the courier provides $15 million in aggregate insurance (excess amount over such being the responsibility of the Participant). CDS also advised that in the past year no certificates had been lost by a CDS messenger on the way to a transfer agent.

13.1.4 Amendments to IDA By-Law 38 and Policy 6, Part 1 - CCO Qualifying Examination

INVESTMENT DEALERS ASSOCIATION OF CANADA – AMENDMENTS TO BY-LAW 38 AND POLICY 6, PART I – CCO QUALIFYING EXAMINATION

I OVERVIEW

A -- Current Rules

By-law 38.3 of the Investment Dealers Association of Canada ("The Association") requires each Member to appoint an Alternate Designated Person as the Chief Compliance Officer ("CCO"). By-law 38.4 permits the appointment of the Ultimate Designated Person under By-law 38.1, as the CCO. By-law 38.5 permits a Member organized in two or more separate units to appoint a CCO for each unit.

By-law 38.11 describes the CCO's role as being to: "monitor adherence to the Member's policies and procedures as necessary to ensure that the management of the compliance function is effective and to provide reasonable assurance that standards of the applicable self-regulatory organization are met. The CCO is also required to report at least annually to the Board of Directors of the Member (or its functional equivalent) on the status of compliance at the Member.

B -- The Issue

Corporate governance is an important element in the operation of any corporation. In respect to the securities industry, this includes having qualified management to run the business entity to ensure compliance with a myriad of securities regulations. In respect to non-financial regulations, it is the role and responsibility of the CCO to monitor the firm's compliance with such rules and bring any compliance issues or problems to the attention of the firm's management to be dealt with. CCOs generally act as advisors to Members' management on compliance and supervision issues and systems. At some Member firms the CCO may have direct authority to take action to rectify compliance problems, but such authority is outside of the CCO role.

As the securities industry and the regulations under which Members operate have become increasing complex, and as principles-based regulation have required firms to develop their own policies and procedures tailored to their business, the advisory and monitoring roles of CCOs have required a broader knowledge of regulations, interpretations and best practices, as well as a broader range of skills in assessing compliance risk and helping develop and operate systems and controls to control it.

However, at present there is no objective standard to evaluate applicants for registration as CCOs. The current Partner Director Officer Qualifying Examination ("PDO Exam"), which is a prerequisite for any officer position, is currently insufficient in terms of testing knowledge of compliance requirements to the competency level expected of a CCO. To increase the coverage of the PDO Exam to include the knowledge required by a CCO would not be appropriate because the PDO addresses more general corporate governance issues and most prospective PDOs do not require the specialist knowledge needed by CCOs.

The Chief Compliance Officers Course (CCO Course) has been developed by the Canadian Securities Institute under the guidance of a sub-committee of the Compliance and Legal Section to cover the knowledge and skills necessary for a CCO. Successful completion of the course will be tested by a CCO Qualifying Examination (CCO Exam) covering the material dealt with in the course.

The desired outcome of this bylaw change is to establish standards for the qualification of CCOs and registration approval of such persons at member firms.

C -- Objective

The objective of this bylaw amendment is consistent with the overall strategic initiative by the Association to develop and implement risk assessment strategies designed to establish a minimum level of corporate governance amongst all member firms and decrease the risk profile of high-risk member firms.

The development of risk assessment strategies gives Member Regulation staff the capability to identify, prioritize, mitigate and contain high-risk situations. The risk-basis method works to identify trends in improper behavior; assess and task resources to matters of greatest risk; and enhance the timeliness of regulatory intervention.

The Association has experienced increased growth and diversity in the business models and organization of Members over the years. The industry has also experienced growth in the number and complexity of products, types of customers and governing regulations. By-law 38 and the roles of UDP and CCO were created on the advice of a subcommittee of the Compliance and Legal Section in 2001 in order to ensure that compliance became firmly embedded in the governance of Members at the senior management and Board levels.

However, the Association has continued to see significant compliance and supervision failures leading to an increasing number of disciplinary actions against Members and their senior management. In some cases such failures have resulted in the financial failure of the Members involved.

This is a systemic problem that has affected the risk profile of a range of member firms. The implementation of the CCO Exam is in part, designed to address it. The proposed requirement is just one of a number of strategic Member Regulation initiatives, including the Chief Financial Officer Qualifying Examination implemented on January 5, 2004.

The CCO Exam will establish a standard of professional competence for the CCO position. The PDO Exam will continue to be a requirement as for any officer position.

The Association has developed a syllabus (in English and French) from which the examination will be based for testing those individuals applying to be registered as CCO of a member firm. The examination will be administered by the Canadian Securities Institute in English and French and is separate from the PDO Exam.

The Association has some Members that do not carry on a traditional customer-based business, such as those engaging only in proprietary trading and those operating alternative trading systems. The content of the CCO Course and Qualifying Examination is not relevant to such Members. Although they have specific regulations governing their activities and therefore continue to require a CCO, the proposed regulation changes will permit the Association to exempt such firms from the requirement to have a CCO who has passed the CCO Exam.

D -- Effect of Proposed Rules

The CCO Exam is based on self-study material relating to compliance rules and practices.

CCOs Approved as of the implementation of the proposed requirement

The effect of the proposed rule change will be to require those previously approved as CCO registrants to review the self-study material and syllabus and write the CCO Exam. It is intended that the self-study material will be of significant value to industry participants as it will be the only published reference source dealing in depth with the breadth of compliance knowledge, skills, processes and practices with which a CCO should be familiar.

Currently approved CCOs are responsible monitoring compliance at their firm and will therefore be required to write and pass the examination within 18 months of the implementation date of the rule amendment. The examination has been designed so that those failing to pass the examination will be able to re-take it without seeing the same set of questions repeated.

New CCO applicants

Any new applicants for approval as CCO after the implementation date of this new by-law will be required to pass the examination in order to be approved.

Acting CCO's

The Association will allow for a transition period between a CCO that leaves the employment of a member and the approval of his or her replacement. The transition period will be 90 days allowing conditional registration for a person to be appointed "acting" CCO. The condition is subject to the acting CCO completing the qualifying exam or the hire of a fully qualified replacement within this transition period, failing which there will be a late completion fee charged against the Member until such time as it appoints a qualified CCO.

Others

The course and examination will be offered to anyone interested in taking it. The Association may require a CCO to re-write the examination as part of a disciplinary action by the Association regarding compliance matters. However, there will be no requirement for someone who has passed the CCO course to re-write it because he or she has not been approved as a CCO for any particular period.

Continuing Education

CCOs are already subject to requirements under the Association's Continuing Education Program. Completion of the CCO Examination will be eligible to meet an individual's compliance requirement for a full Continuing Education cycle.

II -- DETAILED ANALYSIS

A -- Comparison with Similar Provisions

UNITED STATES

In the United States applicants for General Securities Principal must pass the Series 24 Examination. General Securities Principals are registered to supervise or manage a registered firm's corporate finance and corporate securities business, but not to supervise derivative, municipal securities or operations.

The New York Stock Exchange requires that Compliance Officers complete the Series 14 Examination, intended to insure that individuals designated as having day-to-day compliance responsibilities or who supervise ten or more people engaged in compliance activities have the knowledge necessary to carry out their job responsibilities.

OTHER RULES OF THE ASSOCIATION

IDA Policy 6, Part I sets out specific examination requirements for approval in several senior officer and supervisor capacities, including:

i) The Chief Financial Officers Qualifying Examination

ii) The Partners, Directors and Senior Officers Qualifying Examination;

~~ii)~~iii) The Canadian Commodity Supervisors Examination for Futures Contracts Principals;

~~iii)~~iv) The Options Supervisors Course for Registered Options Principal.

The Association views the responsibilities of CCOs as critical to the firm's maintenance of adequate compliance systems and procedures and believes that an examination to test competency of applicants for CCO is as important as for these other senior positions.

B -- Systems Impact of Rule

The change has no significant impact on the systems of the Association or its Members. The Chief Compliance Officer category is already included in the categories for the National Registration Database (NRD). The examination will have to be added to a table in NRD in due course. In the interim, the requirement for applicants to complete the examination can be administered manually with little difficulty.

C -- Best Interests of the Capital Markets

The Association believes that it is in the best interests of the capital markets to ensure that those responsible for monitoring Member compliance with requirements designed to protect the public and assisting Member management in rectifying any compliance problems are fully qualified to do so. The desired outcome is to establish a minimum level of corporate governance by establishing a qualification standard for compliance management at member firms.

D -- 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." The purpose of the CCO Exam is to standardize industry knowledge and practices where necessary or desirable for investor protection in accordance with the IDA recognition order of June 1995. As mentioned above, there are other examinations that the Association includes in its educational requirements for registered individuals in the securities business. Statements have been made elsewhere as to the nature and effect of the proposal to require a written examination for approved CCOs.

The proposal does not permit unfair discrimination among customers, issuers, brokers, dealers, Members or others. It does not impose any burden on competition that is not necessary or appropriate in furtherance of the above purposes.

III -- COMMENTARY

A -- Filing in Other Jurisdictions

These proposed amendments will be filed for approval in Alberta, British Columbia, Ontario and Quebec and will be filed for information in Manitoba, Newfoundland and Labrador, Nova Scotia and Saskatchewan.

B – Effectiveness

It is believed that the proposed amendments will be effective in screening CCO applicants for competency and reduce the number of systemic compliance deficiencies resulting from lack of regulatory knowledge and failure to develop appropriate procedures to identify compliance risk and systems and procedures appropriate to control it.

C – Process

Development of a CCO Qualifying Examination was identified as a strategic initiative by the Board of Directors of the Association. A sub-committee of the Compliance and Legal Section has been directly involved in overseeing the development of the Course learning objectives and material, and the Compliance and Legal Section has been kept informed at a general level of the approach taken and learning objectives.

IV -- SOURCES

References:

- Series 27 and 28 exams
- NASD Membership and Registration Rules 1022(b) and 1022(c)
- IDA By-law 38
- IDA Policy 6, Part I

V -- OSC REQUIREMENT TO PUBLISH FOR COMMENT

The IDA is required to publish for comment the accompanying rule 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 Lawrence Boyce, Vice-President, Sales Compliance and Registration, Investment Dealers Association of Canada, Suite 1600, 121 King Street West, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of the Manager of Market Regulation, Ontario Securities Commission, 20 Queen Street West, 19th Floor, Box 55, Toronto, Ontario, M5H 3S8.

Questions may be referred to:
Lawrence Boyce, Vice-President,
Sales Compliance and Registration
Investment Dealers Association of Canada
(416) 943-6903
lboyce@ida.ca

INVESTMENT DEALERS ASSOCIATION OF CANADA

THE BOARD OF DIRECTORS of the Investment Dealers Association of Canada ("the Association") hereby amends the By-laws, Regulations and Policies of the Associations, as follows:

By-law 38 – Responsibilities of the Chief Compliance Officer and Ultimate Designated

By-law 38 is amended by the addition of new sections 38.6, 38.7 and 38.8 as follows:

38.6 The Chief Compliance Officer shall have the qualification required pursuant to Policy 6, Part IA, Section 2B.

38.7 Notwithstanding By-law 38.6, a Member may, with the Association's approval, appoint an officer as Acting Chief Compliance Officer, if the Chief Compliance Officer suddenly terminates his or her employment with the Member and the Member is unable to immediately appoint another qualified person as Chief Compliance Officer provided that, within 90 days of the termination of the previous Chief Compliance Officer:

(i) the Acting Chief Compliance Officer successfully completes the Chief Compliance Officers Qualifying Examination and is approved by the Association as Chief Compliance Officer; or

(ii) another qualified person is appointed Chief Compliance Officer by the Member and is approved by the Association.

38.8 The Association may grant to a Member an exemption from By-law 38.6 where it is satisfied that the nature of the Member's business is such that the qualification is not relevant to the Member and that to do so would not be prejudicial to the interests of the Member, its clients, the public or the Association. In granting such an exemption, it may impose such terms and conditions as it considers necessary.

The current By-laws 38.6 through 38.12 are re-numbers 38.9 through 38.15.

By-law No. 38

RESPONSIBILITIES OF THE CHIEF COMPLIANCE OFFICER AND ULTIMATE DESIGNATED PERSON

38.1. Every Member shall designate its Chief Executive Officer, its President, its Chief Operating Officer or its Chief Financial Officer (or such other officer designated with the equivalent supervisory and decision-making responsibility) to act as the Ultimate Designated Person (the "UDP") who shall be responsible to the applicable self-regulatory organization for the conduct of the firm and the supervision of its employees.

38.2 Where a Member is organized into two or more separate business units or divisions, a Member may designate a UDP for each separate business unit or division.

38.3 Every Member shall appoint an Alternate Designated Person (an "ADP"), who shall be so approved, to act as Chief Compliance Officer (the "CCO").

38.4 Notwithstanding section 38.3, a Member may appoint the UDP to act as the CCO.

38.5 Where a Member is organized into two or more separate business units or divisions, a Member may designate a CCO for each separate business unit or division.

38.6 The Chief Compliance Officer shall have the qualification required pursuant to Policy 6, Part IA, Section 2B

38.7 Notwithstanding By-law 38.6, a Member may, with the Association's approval, appoint an officer as Acting Chief Compliance Officer, if the Chief Compliance Officer suddenly terminates his or her employment with the Member and the Member is unable to immediately appoint another qualified person as Chief Compliance Officer provided that, within 90 days of the termination of the previous Chief Compliance Officer:

(i) the acting Chief Compliance Officer successfully completes the Chief Compliance Officers Qualifying Examination and is approved by the Association as Chief Compliance Officer; or

(ii) another qualified person is appointed Chief Compliance Officer by the Member and is approved by the Association.

38.8 The Association may grant to a Member an exemption from By-law 38.6 where it is satisfied that the nature of the Member's business is such that the qualification is not relevant to the Member and that to do so would not be prejudicial to the interests of the Member, its clients, the public or the Association. In granting such an exemption, it may impose such terms and conditions as it considers necessary.

38.~~6~~9 Every Member shall also appoint as many additional ADPs as are necessary, given the scope and complexity of its businesses, who shall be partners, directors or officers of the Member.

38.~~7~~10 The ADPs referred to in By-law 38.6 shall report to the UDP as necessary to ensure that the businesses of the Member are carried out in compliance with applicable self-regulatory by-laws, regulations, policies and forms.

38.~~8~~11 The CCO shall report to the board of directors (or equivalent) of the Member as necessary but at least annually on the status of compliance at the Member.

38.~~9~~12 The board of directors (or equivalent) shall review the report of the CCO and determine what actions are necessary and ensure such actions are carried out in order to address any compliance deficiencies noted in the report.

38.~~10~~13 The UDP shall ensure that policies and procedures are developed and implemented which adequately reflect the regulatory requirements of the Member.

38.~~11~~14 The CCO shall monitor adherence to the Member's policies and procedures as necessary to ensure that the management of the compliance function is effective and to provide reasonable assurance that standards of the applicable self-regulatory organization are met.

38.~~12~~15 Every Member shall file with the applicable self-regulatory organization

(a) a copy of a governance document setting out the organizational structure and reporting relationships, which support the compliance arrangement set out above; and

(b) notice of any material changes to the organizational structure and reporting relationships as set out in paragraph (a).

Policy 6, Part I – Course and Examination Requirements

Policy 6, Part IA is amended by the addition of new sections 2B as follows:

2B. Chief Compliance Officers

The proficiency requirements for a chief compliance officer pursuant to by-law 7.5 are:

(a) Successful completion of the Partners, Directors and Senior Officers Qualifying Examination;

And

(b) Successful completion of the Chief Compliance Officers Qualifying Examination.

(c) Notwithstanding subsection (c) above, any person approved as Chief Compliance Officer with a Member as of [the implementation date of this Policy 6, Part 1A(2B)] shall have until [the date 18 months after the implementation date] to successfully complete the Chief Compliance Officers Examination in order to maintain approval as Chief Compliance Officer.

(d) A person approved as acting Chief Compliance Officer pursuant to By-law 38.7 shall have 90 days from the date of termination of the Chief Compliance Officer to successfully complete of the Chief Compliance Officers Qualifying Examination.

(e) Any Member that fails to provide to the Association proof of successful completion of the Chief Compliance Officers Qualifying Examination within 10 days of the dates specified for successful completion in paragraphs (c) or (d) above, or such other dates as the Association may specify, shall be liable for and pay to the Association such fees as the Board of Directors may from time to time prescribe.

INVESTMENT DEALERS ASSOCIATION OF CANADA

CHIEF COMPLIANCE OFFICER EXAMINATION
PROOF OF SUCCESSFUL COMPLETION – LATE FILING FEE

ORDER

WHEREAS the By-laws, Regulations and Policies of the Investment Dealers Association of Canada ("the Association") require a Member to appoint a Chief Compliance Officer;

WHEREAS the By-laws, Regulations and Policies of the Association require the appointed Chief Compliance Officer ("CFO") approved by the Association as of [implementation date] to complete the Chief Compliance Officer Examination ("CCO Examination") no later than [date 18 months after the implementation date]

WHEREAS the By-laws, Regulations and Policies of the Association require a Member to appoint an acting CCO to replace a qualified and approved CCO whose employment with the Member is suddenly terminated;

WHEREAS the By-laws, Regulations and Policies of the Association require the acting CCO to complete the CCO Examination within 90 days of the employment termination date of the CCO;

AND WHEREAS the By-laws, Regulations and Policies of the Association require the Member to pay to the Association such fees as the Board of Directors may prescribe for failing to provide to the Association proof of successful completion of the CCO Examination within 10 days of the specified completion date,

THE BOARD OF DIRECTORS of the Association hereby makes the following Order:

The late filing fee under Policy 6, Part IA, Section 2B(e) is:

$100.00 per business day, to a maximum of $1,000 in the first month the notice of completion is late,

$100.00 per business day, to a maximum of $1,500.00, in the second month the notice of completion is late; and thereafter,

$100.00 per business day, with no maximum, until receipt of proof of completion.

SO ORDERED by the Board of Directors this day of , 200 , to be effective immediately upon the implementation of Policy 6, Part IA, Section 2A(e).

13.1.5 Notice of Approval – Application to Vary the Recognition and Designation Order of CDS Ltd.

APPLICATION TO VARY THE RECOGNITION AND DESIGNATION ORDER OF THE CANADIAN DEPOSITORY FOR SECURITIES LIMITED

NOTICE OF APPROVAL

On October 17, 2006, the Commission issued an order ("Recognition Order") pursuant to subsection 21.2(1) and section 144 of the *Securities Act* (Ontario) varying and restating the current recognition and designation order of The Canadian Depository for Securities Limited ("CDS Ltd.") as a clearing agency, and recognising and designating a new wholly-owned subsidiary of CDS Ltd., CDS Clearing and Depository Services Inc. ("CDS Clearing"), as a clearing agency.

The Commission published for comment the CDS application for a variation on September 8, 2006 at (2006) 29 OSCB 7323. No comments were received.

By letter dated October 4, 2006, (attached as Appendix "A") CDS Ltd. advised of certain changes to the information provided in the initial application letter dated August 30, 2006. The original intention was to have the board of CDS Clearing mirror the board of CDS Ltd., however, it has since been decided that CDS Ltd. will, pursuant to a unanimous shareholder agreement, assume responsibility for managing, or supervising management of, the business and affairs of CDS Clearing. The recognition and designation order has been revised to reflect this change. (The revised order (without the attached schedule and appendices) is attached as Appendix "B"). The amendments to the recognition and designation order are not material.

No other revisions have been made to the CDS Recognition Order.

APPENDIX "A"

Cindy Petlock
Manager, Market Regulation
Ontario Securities Commission
20 Queen Street West, Suite 800
Toronto, Ontario
M5H 3S8

October 4, 2006

Dear Ms. Petlock:

Re: Restructuring of The Canadian Depository for Securities Limited ("CDS Ltd.")

Further to our letter of August 30, 2006, in relation to this matter, this letter is to notify you of one change to the proposed Restructuring of CDS Ltd. as set out in the original letter. Specifically, our intention had been to have mirror boards for CDS Ltd. and CDS Clearing (as well as the other non-regulated subsidiaries), but we have determined, as an interim measure, to enter into a Unanimous Shareholder Agreement ("USA") between CDS Ltd. and CDS Clearing whereby all the rights, powers, duties and liabilities of the directors of the subsidiary corporation are transferred to the parent during the term of such agreement.

A. Background

CDS Clearing was incorporated on August 18, 2006. Five "office incorporators" were named as its first directors: Ian Gilhooley, Chief Operating Officer; Steve Blake, Chief Financial Officer; Mark Weseluck, Executive Director, Customer Service and Product Development; Keith Evans, Executive Director, Operations; and, Toomas Marley, Chief Legal Officer; each an officer of CDS Ltd. The use of office incorporators enabled the expeditious incorporation of the company, adoption of by-laws and banking resolutions and the conduct of other administrative matters for the organization of CDS Clearing. At that time, the intention was to replace these office incorporators on November 1, 2006, with the CDS Ltd. board members, thereby creating the mirror boards.

As indicated in the August 30th letter, there are various corporate governance matters which are being dealt with by the board of CDS Ltd. Additionally, as a result of a review by the CDS Ltd. shareholders' committee of reports relating to corporate governance and a strategic evaluation of CDS Ltd., the shareholders determined to appoint four new members to the board of CDS Ltd. In view of these developments and to continue to maintain the status quo in respect of the corporate governance of both CDS Ltd. and CDS Clearing, it was determined that the mechanism of an USA would be used as an interim measure until the governance issues are resolved.

B. Unanimous Shareholder Agreement

The USA is created under section 146 of the Canada Business Corporations Act under which both CDS Ltd. and CDS Clearing are incorporated. Sub-section (1) provides as follows:

> "An otherwise lawful written agreement among all the shareholders of a corporation, or among all the shareholders and one or more persons who are not shareholders, that restricts, in whole or in part, the powers of the directors to manage, or supervise the management of, the business and affairs of the corporation is valid."

The effect of an USA is set out in sub-section (5):

> "To the extent that a unanimous shareholder agreement restricts the powers of the directors to manage, or supervise the management of, the business and affairs of the corporation, ***parties to the unanimous shareholder agreement who are given that power to manage or supervise the management of the business and affairs of the corporation have all the rights, powers, duties and liabilities of a director of the corporation***, whether they arise under this Act or otherwise, including any defences available to the directors, and ***the directors are relieved of their rights, powers, duties and liabilities***, including their liabilities under section 119, to the same extent." (Emphasis added.)

A draft of the proposed USA between CDS Ltd. and CDS Clearing, including as parties also the five office incorporators as directors, is attached. The USA gives the shareholder, CDS Ltd., all of the rights, powers, duties and liabilities of the directors of CDS Clearing. Following execution of the USA on November 1, 2006, the CDS Clearing directors will be nominal directors to satisfy corporate law requirements, but all power to manage or supervise the management of the business and affairs of CDS Clearing will be vested in CDS Ltd.

C. Original Application Letter

It is noted that the original Application letter was drafted in a general way such that the following governance-related statements remain correct as written:

> "Until such time as the outstanding corporate governance issues are resolved, CDS Ltd. will maintain its current board structure and the existing arrangements with its shareholders including any pooling agreement(s) between its shareholders." (p. 2)
>
> "The responsibilities of the CDS Ltd. Board will be to govern the affairs of CDS Ltd. as an owner of three wholly-owned, separate and independent subsidiaries." (p. 2)
>
> "Separate management teams will be responsible for the day-to-day operations of each of the subsidiaries." (p. 2)
>
> "The responsibilities of the CDS Ltd. Board of Directors will be to govern the affairs of CDS Ltd. as the owner of three separate and independent operating companies. " (p. 3)

The only reference to mirror boards is under the heading of "Governance" on p. 5:

> "The board of directors of CDS Clearing will mirror the board of directors of its parent company, CDS Ltd. and, as such, the governance structure will be identical."

It is our respectful submission that the USA satisfies the same intent as the appointment of mirror boards in that the power to manage or supervise the management of CDS Clearing will be in the hands of the same directors.

D. Recognition Order

The Recognition Order published upon September 8, 2006, does not mandate mirror boards, although it was prepared in contemplation of such. The Commission may wish to consider an additional recital in the Recognition Order as follows:

> "**AND WHEREAS** CDS Ltd. will enter into an Unanimous Shareholder Agreement with CDS Clearing whereby all the powers to manage or supervise the management of the business and affairs of CDS Clearing will be transferred to CDS Ltd. on a temporary basis:"

E. Conclusion

We thank you for your attention to this matter which will assist in the Restructuring of CDS without impacting the intent of the Governance provisions therein.

Sincerely,

"Toomas Marley"

Toomas Marley
Chief Legal Officer
CDS Ltd.

APPENDIX "B"

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

AND

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

AND

IN THE MATTER OF
THE CANADIAN DEPOSITORY FOR SECURITIES LIMITED

AND

CDS CLEARING AND DEPOSITORY SERVICES INC.

AMENDMENT TO RECOGNITION AND DESIGNATION ORDER
(Subsection 21.2(1) and Section 144 of the Act and Part VI of the OBCA)

WHEREAS the Ontario Securities Commission ("Commission") issued an order dated February 25, 1997 ("1997 Order"), which became effective on March 1, 1997, recognizing The Canadian Depository for Securities Limited ("CDS Ltd.") as a clearing agency pursuant to subsection 21.2(1) of the Act and designating CDS Ltd. as a recognized clearing agency pursuant to Part VI of the OBCA;

AND WHEREAS the Commission issued an order dated July 12, 2005 ("2005 Order") varying and restating the 1997 Order;

AND WHEREAS the Commission issued an order dated January 9, 2006 ("2006 Order") varying the 2005 Order (the 2005 Order, as amended by the 2006 Order, referred to as the "Current Recognition Order");

AND WHEREAS CDS Ltd. has applied for an order pursuant to section 144 of the Act to vary the Current Recognition Order;

AND WHEREAS CDS Ltd. plans to restructure its businesses on or after November 1, 2006 ("Restructuring Date") into separate operating subsidiaries, one of which will be CDS Clearing and Depository Services Inc. ("CDS Clearing");

AND WHEREAS CDS Clearing shall assume responsibility for all of the existing securities clearing, settlement, and depository services ("Settlement Services") and necessary assets and liabilities from CDS Ltd.;

AND WHEREAS CDS Ltd., pursuant to unanimous shareholder agreement ("USA"), will be given the power to manage or supervise the management of CDS Clearing and will acquire all the rights, powers, duties and liabilities of the directors of CDS Clearing, and the directors of CDS Clearing are relieved of their rights, powers, duties and liabilities to the same extent;

AND WHEREAS CDS Ltd. shall provide certain support functions to CDS Clearing, including information technology development, maintenance and operations, legal services, risk management, financial management and support, human resources, internal audit, facilities management, and executive governance and communications, and such provision of support functions shall be governed by a services agreement between CDS Ltd. and CDS Clearing;

AND WHEREAS the Commission has received certain other representations and undertakings from CDS Ltd. and CDS Clearing in connection with the application of CDS Ltd. to vary the Current Recognition Order;

AND WHEREAS the Commission considers it appropriate to set out in the order terms and conditions for the recognition of each of CDS Ltd. and CDS Clearing as a clearing agency under the Act, which terms and conditions are set out in Schedule "A" attached;

AND WHEREAS the Commission considers that, for the purposes of the terms and conditions set out in Schedule "A", and for the duration of the USA, the board of directors of CDS Ltd. shall be considered to be the board of directors of CDS Clearing;

AND WHEREAS CDS Ltd. and CDS Clearing have each agreed to the respective terms and conditions as set out in Schedule "A";

AND WHEREAS the terms and conditions set out in Schedule "A" may be varied or waived by the Commission;

AND UPON the Commission being of the opinion that it is not prejudicial to the public interest to vary the Current Recognition Order;

AND UPON the Commission being satisfied that it is in the public interest to continue to recognize CDS Ltd. as a clearing agency pursuant to subsection 21.2(1) of the Act;

AND UPON the Commission wishing to continue to designate CDS Ltd. as a recognized clearing agency for the purposes of Part VI of the OBCA;

AND UPON the Commission being satisfied that it is in the public interest to recognize CDS Clearing as a clearing agency pursuant to subsection 21.2(1) of the Act;

AND UPON the Commission wishing to designate CDS Clearing as a recognized clearing agency for the purposes of Part VI of the OBCA;

IT IS ORDERED pursuant to section 144 of the Act that the Current Recognition Order be varied and restated in the form of this order;

THE COMMISSION HEREBY RECOGNIZES each of CDS Ltd. and CDS Clearing as a clearing agency pursuant to subsection 21.2(1) of the Act, subject to the terms and conditions set out in Schedule "A";

AND THE COMMISSION HEREBY DESIGNATES each of CDS Ltd. and CDS Clearing as a recognized clearing agency for the purposes of Part VI of the OBCA.

DATED , 2006, to be effective on the Restructuring Date.

13.1.6 MFDA Notice and Request for Comments - Suspensions in Certain Circumstances (Section 24.3 of By-law No.1) and Related Provisions of By-law No. 1

MUTUAL FUND DEALERS ASSOCIATION OF CANADA (MFDA)

SUSPENSIONS IN CERTAIN CIRCUMSTANCES (SECTION 24.3 OF BY-LAW NO. 1)

AND RELATED PROVISIONS OF BY-LAW NO. 1

I. OVERVIEW

A. Current Rule

Sections 24.3.1 and 24.3.2 together currently operate to provide a summary procedure whereby a Hearing Panel may first suspend, and subsequently terminate, a Member where (i) the registration of the Member has been suspended or cancelled; (ii) the Member has been declared bankrupt or has filed for protection from creditors; or (iii) the Member's membership in a stock exchange or other self-regulatory organization has been suspended.

Section 24.3.3 currently permits the Chair or Vice-Chair of a Regional Council to temporarily suspend a Member for 15 days pending a full hearing before a Hearing Panel where it appears that the Member has breached a By-law, Rule or Policy and such breach is likely to result in financial loss to the public.

Section 24.3.4 currently provides a summary procedure whereby a Hearing Panel may suspend a Member or person without further notice where the Member or person has failed to pay a fine or comply with a condition ordered by a Hearing Panel. However, the suspension may only remain in effect until the fine is paid or the condition fulfilled.

B. The Issue(s)

Section 24.3 does not currently permit a Hearing Panel to order any forms of summary relief against a Member or Approved Person in any situations other than those described above. Accordingly, MFDA staff may be unable to respond appropriately to protect investors and the public in exceptional circumstances.

C. Objective(s)

The proposed amendments were developed to improve the MFDA's capacity to better regulate both Members and Approved Persons and to protect the public interest in situations where Members and Approved Persons have acted inappropriately.

D. Effect of Proposed Amendments

The proposed amendments were developed to enhance the current procedures that provide MFDA staff with the ability to bring summary applications before a Hearing Panel for interim and permanent relief against both Members and Approved Persons and to increase the range of situations in which such applications may be brought and the types of penalties that the Hearing Panel may impose. The proposed amendments will also clarify procedures with respect to these applications.

II. DETAILED ANALYSIS

A. Relevant History

A strategic assessment of the MFDA's current enforcement powers identified a need for the MFDA to respond sufficiently to situations where Members and Approved Persons have acted inappropriately, and therefore the need to amend By-law No. 1 to provide for a broader summary enforcement procedure that can be employed beyond those situations currently provided in section 24.3.

B. Proposed Amendments

MFDA staff proposes to replace the existing Section 24.3 of By-law No.1 in its entirety.

The new Section 24.3 will:

(a) rename the section "Applications in Exceptional Circumstances";

(b) permit Staff to bring summary applications before a Hearing Panel for interim and permanent relief against both Members and Approved Persons;

(c) increase the range of situations in which such applications may be brought and the types of penalties that the Hearing Panel may impose;

(d) clarify the procedure to be followed by Staff when seeking summary relief;

(e) consolidate the power for granting summary relief with Hearing Panels (i.e. eliminate the one instance in which the Chair or Vice-Chair of a Regional Council may temporarily suspend a Member);

(f) establish a procedure for a Respondent to seek review of the decision of a Hearing Panel that grants summary relief; and

(g) provide a summary mechanism for the MFDA to collect unpaid amounts from Members.

In addition, MFDA staff also proposes minor changes to ancillary provisions in By-law No.1, which:

(a) define the terms “application” and “monitor” in Section 1.1 of By-law No.1;

(b) indicate that one public representative of a Regional Council may be designated to act on behalf of a Hearing Panel for the purpose of hearing and determining an application under Section 24.3 as indicated by Section 19.13;

(c) clarify the language of Sections 24.1.2(d) and (g);

(d) amend Section 24.2 to clarify that a Hearing Panel may require a Member or Approved Person to pay costs pursuant to Sections 20, 24.1 or 24.3;

(e) clarify the procedures with respect to the publication of notice and penalties in Section 24.5;

(f) provide a framework for the appointment of a monitor to oversee and report on a Member’s activities on an interim basis by adding Section 24.7; and

(g) clarify the status of suspended Members by adding Section 24.8.

C. Issues and Alternatives Considered

No other alternatives were considered.

D. Comparison with Similar Provisions

The summary application process contemplated by the proposed amendments is generally consistent with the process followed by other securities regulators and, in particular, the Investment Dealers Association.

E. Best Interests of the Capital Markets

The Board has determined that the proposed By-law amendments are in the best interests of the capital markets.

F. Public Interest Objective

The proposed amendments are in the public interest in that they will ensure that the MFDA has the ability to respond sufficiently to Members and Approved Persons who have acted inappropriately.

III. COMMENTARY

A. Filing in Other Jurisdictions

The proposed By-law amendments will be filed for approval with the Alberta, British Columbia, Nova Scotia, and Ontario Securities Commissions and the Saskatchewan Financial Services Commission.

B. Effectiveness

The proposed amendments are simple and effective.

C. Process

The proposed amendments have been prepared in consultation with relevant departments within the Corporation and have been reviewed by external counsel, the Policy Advisory Committee of the MFDA and the Regulatory Issues Committee of the Board. The MFDA Board of Directors has also approved the proposed amendments.

D. Effective Date

The proposed amendments will be effective on a date to be subsequently determined by the MFDA.

IV. SOURCES

MFDA By-law No. 1
IDA By-law No. 20
IDA Rule of Procedure 16
IDA Rule of Procedure 17
IDA Regulation 600

V. REQUIREMENT TO PUBLISH FOR COMMENT

The MFDA is required to publish for comment the proposed amendments so that the issues referred to above may be considered by the Recognizing Regulators.

The MFDA has determined that the entry into force of the proposed amendments would be in the public interest and is not detrimental to the capital markets. 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 the Corporate Secretary, Mutual Fund Dealers Association of Canada, 121 King St. West, Suite 1000, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of Leslie Rose, Senior Legal Counsel, British Columbia Securities Commission, 701 West Georgia Street, P.O. Box 10142, Pacific Centre, Vancouver, British Columbia, V7Y 1L2.

On request, the MFDA will make available all comments received during the comment period.

Questions may be referred to:

Shaun Devlin
Vice-President, Enforcement
Mutual Fund Dealers Association of Canada
(416) 943-4672

MUTUAL FUND DEALERS ASSOCIATION OF CANADA (MFDA)

APPLICATIONS IN EXCEPTIONAL CIRCUMSTANCES (Section 24.3 of By-law No.1)

and Related Provisions of By-law No.1

On September 27, 2006, the Board of Directors of the Mutual Fund Dealers Association of Canada made and enacted the following amendments to:

1. DEFINITIONS

"application" means all steps in a proceeding conducted pursuant to Section 24.3 except a review of an application pursuant to Section 24.3.6;

"monitor" means a person or company appointed to oversee and report on a Member's activities and to act in furtherance of powers granted by a Hearing Panel;

19.13 Procedures Regarding Hearing Panels

Despite Section 19.9, one public representative of a Regional Council may be designated to act on behalf of a Hearing Panel for the purpose of hearing and determining:

(a) an application under Section 24.3; and

(b) any procedural matter or motion relating to the conduct of a disciplinary hearing under Sections 20 and 24 including, without limitation, granting adjournments, setting dates for hearings, and making any other orders or directions that a Hearing Panel is authorized to make under the Corporation's rules of procedure, except a final determination of a disciplinary proceeding.

24.1.2 Members

A Hearing Panel of the applicable Regional Council shall have the power to impose upon a Member any one or more of the following penalties:

(a) a reprimand;

(b) a fine not exceeding the greater of:

(i) $5,000,000.00 per offence; and

(ii) an amount equal to three times the profit obtained or loss avoided by the Member as a result of committing the violation;

(c) suspension of the rights and privileges of the Member (and such suspension may include a direction to the Member to cease conducting securities related business) for such specific period and upon such terms as such Hearing Panel may determine, or, if the rights and privileges have already been suspended under Section 24.3, the continuation of such suspension (including a prohibition on the Member conducting securities related business) for such specified period and upon such terms as such Hearing Panel may determine;

(d) termination of any and all of the rights and privileges ~~and~~ of Membership ~~of the Member~~;\

(e) expulsion of the Member from the Corporation;

(f) such terms and conditions on Membership of the Member as may be considered appropriate by the Hearing Panel;

(g) ~~imposition~~ appointment of a monitor ~~to oversee and/or report on the Member's activities~~ in accordance with Section 24.7; and

(h) directions for the orderly transfer of client accounts from the Member.

if, in the opinion of the Hearing Panel, the Member:

(i) has failed to carry out any agreement with the Corporation;

(j) has failed to meet any liabilities to another Member or to the public;

(k) has engaged in any business conduct or practice which the Hearing Panel in its discretion considers unbecoming a Member or not in the public interest;

(l) has ceased to be qualified as a Member by reason of the ownership, integrity, solvency, training or experience of the Member or any of its Approved Persons or other employees or agents, or any person having an ownership interest in the capital or indebtedness of the Member;

(m) has failed to comply with or carry out the provisions of any of the By-laws, Rules or Policies of the Corporation; or

(n) has failed to comply with or carry out the provisions of any applicable federal or provincial statute relating to its business or of any regulation or policy made pursuant thereto.

24.2 Costs

A Hearing Panel may in any case in its discretion require that the Member or Approved Person pay the whole or part of the costs of the proceedings before the Hearing Panel pursuant to Section 20 and Section 24.1 or Section 24.3 and any investigations relating thereto.

~~**24.3 Suspensions in Certain Circumstances**~~

~~*24.3.1 Power to Suspend*~~

~~Notwithstanding anything in this Section 24 or in Section 20, in the event that:~~

~~(a) the registration of a Member as a mutual fund dealer under any securities legislation of any province or territory in which the Member is carrying on business is suspended or cancelled, or a Member fails to renew any such registration which has lapsed; or~~

~~(b) a Member makes a general assignment for the benefit of its creditors or is declared bankrupt or makes an authorized assignment or a proposal to its creditors under the Bankruptcy and Insolvency Act, or a winding-up order is made in respect of a Member or a receiver or other officer with similar powers is appointed in respect of all or any part of the undertaking and property of a Member; or~~

~~(c) a stock exchange, securities commission, self-regulatory organization or other securities regulatory authority suspends the membership or privileges thereof of a Member who is a member of such exchange or self-regulatory organization;~~

~~then a Hearing Panel of the applicable Regional Council shall have the power and, with respect to an event referred to in Section 24.3.1(b) above, shall be obliged, forthwith upon receiving notice of such event, to suspend the rights and privileges of the Member for such period and on such terms and conditions as such Hearing Panel may in its discretion determine.~~

24.3 Applications in Exceptional Circumstances

24.3.1 Approved Persons

Notwithstanding anything in Section 20 or Section 24, a Hearing Panel of the applicable Regional Council may, upon application by the Corporation made with or without notice to an Approved Person or any other person under the jurisdiction of the Corporation, impose any of the penalties provided for in Section 24.3.3 upon the person in the event that:

(a) the registration of the person under any securities legislation in any jurisdiction inside or outside Canada is cancelled, suspended, terminated, subject to terms and conditions or the person fails to renew any such registration which has lapsed;

(b) a securities commission, self-regulatory organization, securities regulatory authority, financial services regulator or professional licensing or registration body in any jurisdiction inside or outside Canada cancels, suspends or terminates the person;

(c) the person fails to cooperate with an examination or investigation conducted pursuant to Section 21;

(d) the person has failed to carry out any agreement with the Corporation;

(e) the person has failed to comply with the provisions of any By-law, Rule or Policy of the Corporation other than those referred to in Section 24.3.1(c) and

(i) such failure is likely to result in financial loss or imminent harm to the public, other Members or the Corporation; or

(ii) the length of time required to conduct a hearing pursuant to Section 20 and Section 24.1 would be prejudicial to the public interest;

(f) the person has been charged with a criminal or regulatory offence relating to theft, fraud, misappropriation of funds or securities, forgery, money laundering, market manipulation, insider trading, misrepresentation or unauthorized trading and such charge likely brings the capital markets into disrepute;

(g) the Corporation receives information regarding the incapacity of the person, by reason of mental or physical illness, other infirmity or addiction to or excessive use of alcohol or drugs and the Hearing Panel determines that the person cannot continue to conduct securities related business without risk of imminent harm to the public, other Members or the Corporation; or

(h) the person has failed to comply with any penalties, other than the payment of a fine or costs, imposed pursuant to Section 24.1.1, Section 24.3 or Section 24.4.

~~*24.3.2 Further Suspension, Termination of Rights and Privileges, Expulsion*~~

~~In any of the events referred to:~~

~~(a) in Sections 24.3.1(a) or (c), if the Member fails to take appropriate proceedings within the time provided for by the legislation or stock exchange, securities commission, self-regulatory organization or regulatory authority rules for a review of or by way of appeal from such suspension or cancellation of registration or membership, or fails within such period as the Hearing Panel may prescribe to renew any such registration which has lapsed, or if, notwithstanding such review and appeal, such suspension or cancellation of registration or membership, is confirmed and becomes final, the Hearing Panel may, either with or without notice to the Member, suspend the Member for a further period, terminate the rights, privileges and Membership of the Member or expel the Member from the Corporation, and such suspension, termination or expulsion shall take immediate effect and there shall be no review or appeal therefrom. If upon review or appeal the registration or membership of a Member under the legislation, stock exchange, self-regulatory organization or regulatory authority rules is reinstated, the Hearing Panel may reinstate the Member and cancel any suspension imposed by it upon the Member.~~

~~(b) in Section 24.3.1(b), if the Member fails within such period as the Hearing Panel may prescribe to satisfy the claims of its creditors and/or obtain a discharge under the Bankruptcy and Insolvency Act or cause the winding-up order or receivership to be discharged or terminated, the Hearing Panel may, either with or without notice to the Member, suspend the Member for a further period, terminate the rights, privileges and Membership of the Member or expel the Member from the Corporation, and such suspension, termination or expulsion shall take immediate effect. If the Member satisfies its creditors and/or obtains a discharge under the Bankruptcy and Insolvency Act or causes the winding-up order or receivership to be discharged or terminated within such period as the Hearing Panel may determine, the Hearing Panel may reinstate the Member upon such terms and conditions as the Hearing Panel may determine and cancel any suspension imposed by it upon the Member.~~

24.3.2 Members

Notwithstanding anything in Section 24 or Section 20, a Hearing Panel of the applicable Regional Council may, upon application by the Corporation made with or without notice to a Member, impose any of the penalties provided for in Section 24.3.3 upon the Member in the event that:

(a) the registration of the Member as a mutual fund dealer under any securities legislation in any jurisdiction inside or outside Canada is cancelled, suspended, terminated, subject to terms and conditions or the Member fails to renew any such registration which has lapsed;

(b) the Member makes a general assignment for the benefit of its creditors or is declared bankrupt or makes an authorized assignment or a proposal to its creditors under the Bankruptcy and Insolvency Act, or a winding-up order is made in respect of the Member or a receiver or other officer with similar powers is appointed in respect of all or any part of the undertaking and property of the Member;

(c) a securities commission, self-regulatory organization, financial services regulator or other securities regulatory authority inside or outside Canada cancels, suspends or terminates the Member;

(d) the Member has:

(i) failed to maintain the minimum capital required under any By-law, Rule, Form or Policy of the Corporation;

(ii) failed to file with the Corporation a copy of a financial report of the Member as at the end of each fiscal month as required under any By-law, Rule or Policy of the Corporation;

(iii) failed to file with the Corporation copies of the annual audited financial statements of the Member as required under any By-law, Rule or Policy of the Corporation;

(iv) failed to maintain a Financial Institution Bond or mail insurance as required under any By-law, Rule or Policy of the Corporation;

(v) failed to rectify the circumstances causing the Member to be designated in early warning by the Corporation or has failed to comply with terms and conditions imposed on the Member after it was designated in early warning by the Corporation; or

(vi) failed to cooperate with an examination or investigation conducted pursuant to Section 21; or

(vii) failed to carry out any agreement with the Corporation;

(e) the Member has failed to comply with the provisions of any By-law, Rule or Policy of the Corporation other than those provisions referred to in Section 24.3.2(d) and

(i) such failure is likely to result in financial loss or imminent harm to the public, other Members or the Corporation; or

(ii) the length of time required to conduct a hearing pursuant to Section 20 and Section 24.1 would be prejudicial to the public interest;

(f) the Member is in such financial or operating difficulty that a Hearing Panel determines that the Member cannot be permitted to continue to operate without risk of imminent harm to the public, other Members or the Corporation;

(g) the Member has been charged with a criminal or regulatory offence relating to theft, fraud, misappropriation of funds or securities, forgery, money laundering, market manipulation, insider trading, misrepresentation or unauthorized trading and such charge likely brings the capital markets into disrepute;

(h) the Member has given notice of its intention to resign or is not carrying on business as a mutual fund dealer;

(i) the Member has failed to comply with any penalties, other than the payment of a fine or costs, imposed pursuant to Section 24.1.2, Section 24.3 or Section 24.4.

~~*24.3.3 Cause of Financial Loss to the Public*~~

~~Notwithstanding anything in Sections 20 to 24, inclusive, if, as a result of information received by the Chair or any Vice-Chair of the applicable Regional Council, such Chair or Vice-Chair after consultation with the President or one or more members of the Board of Directors is of the opinion that a Member has breached any By-law, Rule or Policy of the Corporation and that such breach or breaches is likely to result in financial loss to the public, the Chair or Vice-Chair may immediately suspend the rights and privileges of such Member and direct such Member to immediately cease dealing with the public. If the Chair or Vice-Chair of the Regional Council acts under the provisions of this Section 24.3.3, he or she shall summon the Member to appear before a hearing of the Hearing Panel of the applicable Regional Council to be held within 15 days upon notice to the Member, with such notice and hearing to be in accordance with the provisions of Section 20, as applicable.~~

24.3.3 Powers of a Hearing Panel

A Hearing Panel shall have the power to impose any of the following penalties upon a Member, Approved Person or other person under the jurisdiction of the Corporation in an application made pursuant to Section 24.3.1 and Section 24.3.2:

(a) suspension of any or all of the rights and privileges of Membership or authority of the person to conduct securities related business on such terms and conditions as the Hearing Panel considers appropriate;

(b) terms and conditions on Membership or the authority of the person to conduct securities related business;

(c) direction to immediately cease dealing with the public;

(d) direction for the orderly transfer of client accounts from the Member;

(e) termination of Membership or prohibition of the authority of the person to conduct securities related business;

(f) expulsion of the Member from the Corporation; and

(g) appointment of a monitor in accordance with Section 24.7.

~~*24.3.4 Failure to Pay Fine or Comply with Condition*~~

~~In the event that a fine or condition imposed by a Hearing Panel pursuant to Section 24.1 is not paid or complied with, respectively, within the time prescribed by the Hearing Panel, the Hearing Panel may, upon application by the Corporation, and without further notice to the Member or person concerned, suspend the authority of such person to conduct securities related business or the rights and privileges of such Member, respectively, until such fine is paid or condition fulfilled.~~

24.3.4 Notice in Certain Circumstances

At any stage of an application pursuant to Section 24.3, a Hearing Panel may in its discretion require notice of the application to be given to a Member or person on such terms and conditions as it considers appropriate.

24.3.5 Other Proceedings

Nothing contained in Section 24.3 shall prevent any other proceedings being taken against a Member, Approved Person or other person under the jurisdiction of the Corporation pursuant to any other provisions of Section 24.

24.3.6 Review of an Application

A Member or person may request a review of any decision made pursuant to Section 24.3 within 30 days of notice of the penalty being given in accordance with Section 24.5.3.

24.3.7 Timing of a Review

A review of an application pursuant to Section 24.3.6 shall be held before a Hearing Panel of the applicable Regional Council no later than 21 days after the request for the review, unless a Hearing Panel directs or the parties agree otherwise.

24.3.8 Review Panel

No Member of a Hearing Panel who participated in an application pursuant to Section 24.3 shall sit on a Hearing Panel constituted for the review of that decision.

24.3.9 Decision is Final Where no Review

If a Member or person does not request a review of an application within the time prescribed in Section 24.3.6, then the decision of the Hearing Panel is final and there shall be no further review or appeal of the decision within the Corporation.

24.3.10 Stay Pending Review of an Application

An order of a Hearing Panel made pursuant to Section 24.3 takes effect upon its issuance and remains in effect pending a review under Section 24.3.6, unless a Hearing Panel directs otherwise.

24.3.11 Powers of a Hearing Panel on a Review of an Application

A Hearing Panel presiding over the review of an application pursuant to Section 24.3.6 may affirm, quash or vary the decision under review and may make any decision that could have been made by a Hearing Panel under Section 24.3.

24.3.12 Open to the Public

An application pursuant to Section 24.3 and the review of an application pursuant to Section 24.3.6 shall be open to the public except where:

(a) the application proceeds without notice to the Member or person;

(b) the application or review of the application is conducted in writing or the Hearing Panel determines that it is not practical to conduct the application or review of the application in a manner that is open to the public; or

(c) the Hearing Panel is of the opinion that intimate financial or personal matters or other matters may be disclosed at the hearing which are of such a nature, having regard to the circumstances, that the desirability of avoiding disclosure thereof in the interests of any person affected or in the public interest outweighs the desirability of adhering to the principle that hearings be open to the public, in which case the Hearing Panel may conduct the application or review of the application in camera.

24.3.13 Failure to Pay Fee, Levy, Assessment, Fine or Costs

In the event that:

(a) a Member fails to pay a fee pursuant to Section 14 or Section 15 within the time prescribed in Section 14.3 or Section 15.2 respectively;

(b) a Member fails to pay a fee, levy or assessment pursuant to any By-law, Rule or Policy of the Corporation within the time prescribed; or

(c) a Member or person fails to pay a fine or costs imposed by a Hearing Panel within the time prescribed by the Hearing Panel;

the Corporation may summarily, without further notice, suspend the rights and privileges of the Member or the authority of the person to conduct securities related business until such fee, levy, assessment, fine or costs is paid.

24.5 Publication of Notice and Penalties

24.5.1 Notice Requirements

If and whenever~~:~~

~~(a)~~ a Member ~~(except as provided by section 24.5.1(b) hereof)~~, Approved Person or other person is penalized by a Hearing Panel, notice of the penalty ~~shall be given by the Corporation forthwith; or~~

~~(b) the rights and privileges of a Member are suspended or terminated, or a Member is expelled from the Corporation, notice of the penalty~~ and notice of the disposition of any review from the imposition thereof shall be given forthwith by the Corporation. If such penalty is subject to review the notice shall so indicate.

24.7 Monitor

24.7.1 Powers of a Monitor

A monitor appointed pursuant to Section 24.1.2(g) or Section 24.3.3(g) shall oversee and report on the Member's activities in accordance with any of the following terms and conditions and for such specified period as the Hearing Panel may determine:

(a) to enter and re-enter the Member's premises and to remain on site to conduct day-to-day monitoring of all of the Member's activities, including but not limited to, monitoring and review of accounts receivable, accounts payable, client accounts, the Member's banking, any books or records of the Member, trading conducted by or on behalf of the Member for its own account or the account of its clients, payment of any debts or the creation of new debt and any reconciliation required to be completed by the Member;

(b) to make copies of information and to provide copies of such information to the Corporation or any other agency the Hearing Panel determines appropriate;

(c) to provide ongoing reporting of the monitor's findings or observations to the Corporation or any other agency the Hearing Panel determines appropriate;

(d) to monitor compliance by the Member with any terms or conditions which have been imposed on the Member by the Corporation or any other regulator, including but not limited to, compliance with early warning terms and conditions;

(e) to verify and assist with the preparation of any regulatory filings, including but not limited to, the calculation of risk adjusted capital;

(f) to conduct or have conducted an appraisal of the Member's net worth or valuation of any part of the Member's assets;

(g) to assist the Member with the orderly transfer of client accounts;

(h) to pre-authorize any issuance of cheques or payments made by or on behalf of the Member or distribution of any of the Member's assets;

(i) to assist the Member in formulating a process to address deficiencies identified by the Corporation;

(j) to assist the Member in developing and implementing procedures and internal controls to ensure the Member's compliance with any By-law, Rule or Policy of the Corporation;

(k) to test and report on the adequacy of the Member's procedures and internal controls; and

(l) any other terms or conditions that the Hearing Panel may determine.

24.7.2 Expenses of the Monitor

A Hearing Panel may in its discretion require that the Member pay the whole or part of the expenses related to a monitor appointed pursuant to Section 24.1.2(g) or Section 24.3.3(g).

24.8 Suspended Members

Subject to any penalties imposed pursuant to Section 24.1 or Section 24.3, during the period of suspension a suspended Member shall not be entitled to exercise the rights and privileges of Membership and without limiting the generality of the foregoing, the suspended Member:

(a) shall not be entitled to attend or vote at meetings pursuant to Section 12.2 and Section 12.3;

(b) shall remove from its premises any reference to its Membership in the Corporation;

(c) shall no longer use reference to its Membership in the Corporation in its advertisements, letterhead or other material;

(d) shall be designated as "Suspended" in the Corporation's directory of Members; and

(e) shall continue to be liable for the payment of its Annual Fee pursuant to Section 14, other fees pursuant to Section 15 and any other fees, levies or assessments pursuant to any By-law, Rule or Policy of the Corporation.

13.1.7 MFDA Notice and Request for Comments - Hearing Panels (Section 19.9 of By-law No.1)

MUTUAL FUND DEALERS ASSOCIATION OF CANADA (MFDA)

HEARING PANELS (SECTION 19.9 OF BY-LAW NO.1)

I. OVERVIEW

A. Current Rule

Section 19.9 of By-law No. 1 currently requires that a Hearing Panel must always consist of three members of the Regional Council: one public representative who must be the Chair of the Hearing Panel and two industry representatives who may be either elected or appointed members of the Regional Council but shall not include ex-officio members of the Council. Section 19.9 also provides that appointment of members to a Hearing Panel shall be made in accordance with the rules of procedures prescribed pursuant to Section 19.12.

B. The Issue(s)

By-law No. 1 does not currently provide for the continuance of a hearing should an industry appointed panel member be unable to continue to participate in the hearing. In the event that an industry appointed panel member is unable to continue to participate in a hearing, the only existing option is to start a new hearing with a newly constituted Hearing Panel. The current process is an inefficient use of resources.

C. Objective(s)

The objective of the proposed amendments is to allow a Hearing Panel to continue as a two member panel should an industry appointed Hearing Panel member be unable to continue to participate in the hearing.

D. Effect of Proposed Amendments

The proposed amendments will allow a Hearing Panel to consist of two members in specified circumstances, provided one is always the appointed public member.

II. DETAILED ANALYSIS

A. Relevant History

MFDA staff is concerned that the MFDA does not have procedures for the continuation of a hearing when an industry appointed panel member is unable to continue. In such circumstances, delay and increased expense may be incurred due to the need to reconstitute a new panel and begin a new hearing. MFDA staff has identified the need to introduce an amendment to provide for a procedure to continue a hearing where an industry appointed panel member becomes unable to continue.

B. Proposed Amendments

The proposed amendments add the provision in section 19.9 to permit a Hearing Panel to continue to preside over a disciplinary hearing in the event that one of the two industry representatives is unable to continue after the hearing commences.

C. Issues and Alternatives Considered

The MFDA considered the possibility of allowing a new panel member to replace the recused panel member and continuing the hearing with a three member panel. However, this alternative was determined to be inconsistent with administrative law principles.

D. Comparison with Similar Provisions

The ability to continue as a two member Hearing Panel contemplated by the proposed amendments is generally consistent with the process followed by other securities regulators and, in particular, the Investment Dealers Association.

E. Best Interests of the Capital Markets

The Board has determined that the proposed By-law amendments are in the best interests of the capital markets.

F. Public Interest Objective

The proposed amendments will assist in the protection of the investing public by ensuring that MFDA hearings can be conducted in an expedient, fair and cost effective manner should a industry appointed panel member be unable to continue.

III. COMMENTARY

A. Filing in Other Jurisdictions

The proposed By-law amendments will be filed for approval with the Alberta, British Columbia, Nova Scotia, and Ontario Securities Commissions and the Saskatchewan Financial Services Commission.

B. Effectiveness

The proposed amendments are simple and effective.

C. Process

The proposed amendments have been prepared in consultation with relevant departments within the Corporation and have been reviewed by external counsel. The MFDA Board of Directors has approved the proposed amendments.

D. Effective Date

The proposed amendments will be effective on a date to be subsequently determined by the MFDA.

IV. SOURCES

MFDA By-law No. 1
IDA By-law No. 20

V. REQUIREMENT TO PUBLISH FOR COMMENT

The MFDA is required to publish for comment the proposed amendments so that the issues referred to above may be considered by the Recognizing Regulators.

The MFDA has determined that the entry into force of the proposed amendments would be in the public interest and is not detrimental to the capital markets. 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 the Corporate Secretary, Mutual Fund Dealers Association of Canada, 121 King St. West, Suite 1000, Toronto, Ontario, M5H 3T9 and one copy addressed to the attention of Leslie Rose, Senior Legal Counsel, British Columbia Securities Commission, 701 West Georgia Street, P.O. Box 10142, Pacific Centre, Vancouver, British Columbia, V7Y 1L2.

On request, the MFDA will make available all comments received during the comment period.

Questions may be referred to:

Shaun Devlin
Vice-President, Enforcement
Mutual Fund Dealers Association of Canada
(416) 943-4672

MUTUAL FUND DEALERS ASSOCIATION OF CANADA (MFDA)

HEARING PANELS (Section 19.9 of By-law No.1)

On September 27, 2006, the Board of Directors of the Mutual Fund Dealers Association of Canada made and enacted the following amendments to:

19.9 Hearing Panels

The authority of a Regional Council under Sections 20 and 24 shall be exercised on its behalf by a Hearing Panel appointed from the members of the Regional Council. Hearing Panels shall be composed of:

(a) three members of the Regional Council: one public representative who will be the Chair of the Hearing Panel, and two industry representatives who may be either elected or appointed members of the Regional Council, but shall not include ex-officio members of the Council; or

(b) two members of the Regional Council: one public representative who will be the Chair of the Hearing Panel, and one industry representative who may be either an elected or appointed member of the Regional Council, but shall not include ex-officio members of the Council, in the event that an industry representative cannot continue to participate in a hearing.

Appointments of members to a Hearing Panel shall be made in accordance with the rules of procedures prescribed pursuant to Section 19.12.

13.1.8 CDS Rule Amendment Notice – Technical Amendment to CDS Procedures – Intellectual Property Procedures

THE CANADIAN DEPOSITORY FOR SECURITIES LIMITED (CDS)

TECHNICAL AMENDMENTS TO CDS PROCEDURES

INTELLECTUAL PROPERTY

NOTICE OF EFFECTIVE DATE

A. DESCRIPTION OF THE RULE AMENDMENT

Background

CDS recently amended its Participant Rules to clarify the nature of the intellectual property rights that subsist in the information transmitted to and from CDS in the course of CDS's provision of its Services to Participants. The amended Participant Rules outline the limits of CDS's claims to the intellectual property rights in certain of the Services and further clarify the permitted and prohibited uses of information received by Participants in the course of using such Services.

The proposed amendments to the CDS User Guide entitled *Participating in CDS Services* are consequential amendments required due to the above-mentioned changes to the CDS Participant Rules.

The Procedures marked for the amendments may be accessed on the CDS website at:

http://www.cds.ca/cdshome.nsf/Pages/-EN-Documentation?Open

Description of Proposed Amendments

The proposed amendments to CDS Procedures add a new defined term "CDS Works". CDS Works includes software and networks related to Services (such as CDSX), as well as a list of identified and generic compilations of information that CDS aggregates and creates (such as Bulletins). CDS Trademarks and Other Marks are also identified.

B. REASONS FOR TECHNICAL CLASSIFICATION

The amendments proposed pursuant to this Notice are considered technical amendments as they are consequential amendments intended to implement the existing Rule in respect of CDS's intellectual property.

C. EFFECTIVE DATE OF THE RULE

Pursuant to Appendix A ("Rule Protocol Regarding The Review And Approval Of CDS Rules By The OSC") of the Recognition and Designation Order, as varied and restated on July 12, 2005, CDS has determined that these amendments will be effective on November 1, 2006.

D. QUESTIONS

Questions regarding this notice may be directed to:

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