ONTARIO SECURITIES COMMISSION

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OSC

The Ontario Securities Commission

OSC Bulletin

September 7, 2007

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

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1.1 Notices

1.1.1 Current Proceedings Before The Ontario Securities Commission

SEPTEMBER 7, 2007

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

SCHEDULED OSC HEARINGS

September 7, 2007 11:00 a.m.	**Sulja Bros. Building Supplies, Ltd. (Nevada), Sulja Bros. Building Supplies Ltd., Kore International Management Inc., Petar Vucicevich and Andrew DeVries** s. 127 & 127.1 J. S. Angus in attendance for Staff Panel: JEAT/ST
September 10-12, 2007 10:00 a.m.	***AiT Advanced Information Technologies Corporation, *Bernard Jude Ashe and Deborah Weinstein** s. 127 K. Manarin in attendance for Staff Panel: WSW/HPH/CSP * Settlement Agreements approved February 26, 2007
September 11, 2007 10:00 a.m.	**Al-Tar Energy Corp., Alberta Energy Corp., Eric O'Brien, Bill Daniels, Bill Jakes, John Andrews, Julian Sylvester, Michael N. Whale, James S. Lushington, Ian W. Small, Tim Burton and Jim Hennesy** s. 127(1) & (5) Sean Horgan in attendance for Staff Panel: RLS/ST
September 17, 2007 10:00 a.m.	**Norshield Asset Management (Canada) Ltd., Olympus United Group Inc., John Xanthoudakis, Dale Smith and Peter Kefalas** s.127 P. Foy in attendance for Staff Panel: WSW/DLK

September 19, 2007 10:00 a.m.	**Land Banc of Canada Inc., LBC Midland I Corporation, Fresno Securities Inc., Richard Jason Dolan, Marco Lorenti and Stephen Zeff Freedman** s. 127 H. Craig in attendance for Staff Panel: PJL/ST
September 27, 2007 10:00 a.m.	**FactorCorp Inc., FactorCorp Financial Inc. and Mark Twerdun** s. 127 K. Daniels in attendance for Staff Panel: RLS/ST
September 28, 2007 10:00 a.m.	**David Watson, Nathan Rogers, Amy Giles, John Sparrow, Leasesmart, Inc., Advanced Growing Systems, Inc., Pharm Control Ltd., The Bighub.com, Inc., Universal Seismic Associates Inc., Pocketop Corporation, Asia Telecom Ltd., International Energy Ltd., Cambridge Resources Corporation, Nutrione Corporation and Select American Transfer Co.** s. 127 and 127.1 P. Foy in attendance for Staff Panel: JEAT/ST
September 28, 2007 10:00 a.m.	**Stanton De Freitas** s. 127 and 127.1 P. Foy in attendance for Staff Panel: JEAT/ST
October 1, 2007 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: TBA
October 9, 2007 10:00 a.m.	**John Daubney and Cheryl Littler** s. 127 and 127.1 A.Clark in attendance for Staff Panel: RLS/CSP/MCH
October 10, 2007 10:00 a.m.	**Saxon Financial Services, Saxon Consultants, Ltd., International Monetary Services, FXBridge Technology, Meisner Corporation, Merchant Capital Markets, S.A., Merchant Capital Markets, MerchantMarx et al** s. 127(1) & (5) S. Horgan in attendance for Staff Panel: JEAT
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
October 22, 2007 10:00 a.m.	**Merax Resource Management Ltd. carrying on business as Crown Capital Partners, Richard Mellon and Alex Elin** s. 127 H. Craig in attendance for Staff Panel: WSW/KJK
October 26, 2007 10:00 a.m.	**Jose Castaneda** s. 127 and 127.1 H. Craig in attendance for Staff Panel: WSW/DLK

October 29, 2007 10:00 a.m.	**Rene Pardo, Gary Usling, Lewis Taylor Sr., Lewis Taylor Jr., Jared Taylor, Colin Taylor and 1248136 Ontario Limited** s. 127 E. Cole in attendance for Staff Panel: LER/ST/DLK
November 12, 2007 10:00 a.m.	**Hollinger Inc., Conrad M. Black, F. David Radler, John A. Boultbee and Peter Y. Atkinson** s.127 J. Superina in attendance for Staff Panel: TBA
December 10, 2007 10:00 a.m.	**Rex Diamond Mining Corporation, Serge Muller and Benoit Holemans** s. 127 & 127(1) H. Craig in attendance for Staff Panel: WSW/KJK
January 7, 2008 10:00 a.m.	***Philip Services Corp. and Robert Waxman** s. 127 K. Manarin/M. Adams in attendance for Staff Panel: JEAT/MCH Colin Soule settled November 25, 2005 Allen Fracassi, Philip Fracassi, Marvin Boughton, Graham Hoey and John Woodcroft settled March 3, 2006 * Notice of Withdrawal issued April 26, 2007
April 2, 2008 10:00 a.m.	**Peter Sabourin, W. Jeffrey Haver, Greg Irwin, Patrick Keaveney, Shane Smith, Andrew Lloyd, Sandra Delahaye, Sabourin and Sun Inc., Sabourin and Sun (BVI) Inc., Sabourin and Sun Group of Companies Inc., Camdeton Trading Ltd. and Camdeton Trading S.A.** s. 127 and 127.1 Y. Chisholm in attendance for Staff Panel: TBA
April 7, 2008 2:30 p.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: TBA
May 5, 2008 10:00 a.m.	**John Illidge, Patricia McLean, David Cathcart, Stafford Kelley and Devendranauth Misir** S. 127 & 127.1 I. Smith in attendance for Staff Panel: TBA
TBA	**Yama Abdullah Yaqeen** s. 8(2) J. Superina in attendance for Staff Panel: TBA
TBA	**Microsourceonline Inc., Michael Peter Anzelmo, Vito Curalli, Jaime S. Lobo, Sumit Majumdar and Jeffrey David Mandell** s. 127 J. Waechter in attendance for Staff Panel: TBA

TBA **First Global Ventures, S.A., Allen Grossman and Alan Marsh Shuman**

s. 127

D. Ferris in attendance for Staff

Panel: WSW/ST/MCH

TBA **Frank Dunn, Douglas Beatty, Michael Gollogly**

s.127

K. Daniels in attendance for Staff

Panel: TBA

TBA **Shane Suman and Monie Rahman**

s. 127 & 127(1)

K. Daniels in attendance for Staff

Panel: TBA

TBA **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: RLS/DLK/ST

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

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

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

Euston Capital Corporation and George Schwartz

1.1.2 Notice of Ministerial Approval of Amendments to NI 55-101 Insider Reporting Exemptions and Companion Policy 55-101CP Insider Reporting Exemptions

NOTICE OF MINISTERIAL APPROVAL

AMENDMENTS TO
NATIONAL INSTRUMENT 55-101
AND COMPANION POLICY
55-101CP INSIDER REPORTING EXEMPTIONS

On July 24, 2007, the Minister of Government Services approved, pursuant to section 143.3 of the *Securities Act* (Ontario), amendments to National Instrument 55-101 *Insider Reporting Exemptions* (the rule).

The amendments to the rule and related amendments to Companion Policy 55-101CP *Insider Reporting Exemptions* (the policy) will come into force in Ontario on September 10, 2007.

The amendments to the rule and the policy were previously published in the Bulletin on June 8, 2007. The amending instrument together with blacklined versions of the rule and policy are published in Chapter 5 of this Bulletin.

September 7, 2007

1.1.3 Notice of Commission Approval – Housekeeping Amendments to MFDA Form 1, Financial Questionnaire and Report

MUTUAL FUND DEALERS ASSOCIATION OF CANADA (MFDA)

HOUSEKEEPING AMENDMENTS TO MFDA FORM 1 FINANCIAL QUESTIONNAIRE AND REPORT

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission has approved amendments to the MFDA Form 1, Financial Questionnaire and Report. In addition, the Alberta Securities Commission, the New Brunswick Securities Commission, the Nova Scotia Securities Commission and the Saskatchewan Financial Services Commission have approved, the British Columbia Securities Commission has not objected to, and The Manitoba Securities Commission has not disapproved of, the amendments.

The amendments reflect the requirements of section 5600 in the Handbook of the Canadian Institute of Chartered Accountants. More specifically, when auditors are engaged to report on financial statements prepared using a basis of accounting other than GAAP, they must modify their standard Auditor's Report to disclose this fact to the financial statement users. The amendments also require Members to disclose revenue earned and referral fees separately in Statement D of the Financial Questionnaire and Report.

The amendments are housekeeping in nature. A description and a copy of the amendments are contained in Chapter 13 of this OSC Bulletin.

1.2 Notices of Hearing

1.2.1 Yamana Gold Inc. and Meridian Gold Inc. - ss. 104(2), 127

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

AND

IN THE MATTER OF
YAMANA GOLD INC. AND
MERIDIAN GOLD INC.

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

WHEREAS Yamana Gold Inc. (the "Applicant") has requested that the Commission convene a hearing to consider matters in connection with the Applicant's offer to acquire the outstanding common shares of Meridian Gold Inc.;

TAKE NOTICE that the Commission will hold a hearing pursuant to subsection 104(2) and section 127 of the Act at the Commission's offices at 20 Queen Street West, 22nd Floor Hearing Room, Toronto, Ontario commencing on Wednesday, September 5, 2007 at 10:00 a.m., or as soon as possible after that time, to consider whether the Commission should make orders under subsection 104(2) and/or section127 of the Act, as the Commission deems appropriate;

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

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

BY REASON OF the application dated August 24, 2007, as amended on September 2, 2007, filed by the Applicant with the Office of the Secretary of the Ontario Securities Commission.

DATED at Toronto this 4th day of September, 2007.

"John Stevenson"
Secretary to the Commission

1.2.2 Al-Tar Energy Corp. et al. - ss. 127(7), 127(8)

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

AND

IN THE MATTER OF
AL-TAR ENERGY CORP., ALBERTA ENERGY CORP.,
ERIC O'BRIEN, BILL DANIELS, BILL JAKES,
JOHN ANDREWS, JULIAN SYLVESTER,
MICHAEL N. WHALE, JAMES S. LUSHINGTON,
IAN W. SMALL, TIM BURTON, and JIM HENNESY

NOTICE OF HEARING
(Sections 127(7) and 127(8)

WHEREAS on July 3, 2007, the Ontario Securities Commission (the "Commission") issued a temporary cease trade order pursuant to sections 127(1) and 127(5) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") that all trading by Al-Tar Energy Corp. and Alberta Energy Corp., and their officers, directors, employees or agents in securities of Al-Tar Energy Corp. and Alberta Energy Corp. shall cease; and that the Respondents cease trading in all securities;

AND WHEREAS on July 17, 2007, the Commission further ordered pursuant to subsection 128(8) of the Act that the Temporary Order shall be extended until September 11, 2007;

TAKE NOTICE THAT the Commission will hold a hearing pursuant to subsections 127(7) and (8) of the Act at the offices of the Commission, 20 Queen Street West, 17th Floor, Large Hearing Room, commencing on September 11, 2007 at 10 a.m., or as soon thereafter as the hearing can be held;

TO CONSIDER whether it is in the public interest for the Commission:

(1) to extend the Temporary Order pursuant to subsections 127(7) and (8) of the Act until the conclusion of the hearing, or until such further time as considered necessary by the Commission;

(2) to make such further orders as the Commission considers appropriate;

BY REASON OF the allegations as set out in the Temporary Order and such further additional allegations and evidence as counsel may advise and the Commission may permit;

AND TAKE FURTHER NOTICE that any party to the proceedings may be represented by counsel at the hearing;

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

DATED at Toronto this 4th day of September, 2007

"John Stevenson"

1.3 News Releases

1.3.1 Canadian Regulators Propose New Processes For Making Regulatory Decisions

FOR IMMEDIATE RELEASE
September 4, 2007

CANADIAN REGULATORS PROPOSE NEW PROCESSES FOR MAKING REGULATORY DECISIONS

Vancouver – Canadian regulators are proposing new processes for individuals and public companies filing prospectuses or applying for relief from securities requirements in multiple jurisdictions.

On August 31, 2007, the Canadian Securities Administrators (CSA) published for comment two proposed policies describing new processes that would streamline the way persons who file a prospectus or apply for exemptive relief obtain regulatory decisions in multiple jurisdictions. The new processes represent the next step forward in the operation of the passport system and include a set of interfaces between the passport jurisdictions and Ontario.

"The proposed policies will significantly enhance the effectiveness and efficiency of the securities regulatory system for market participants who want to gain access to the capital markets in both passport jurisdictions and Ontario," said Jean St-Gelais, Chair of the CSA and President & Chief Executive Officer of the Autorité des marchés financiers (Québec).

Proposed National Policy 11-202 *Process for prospectus reviews in multiple jurisdictions* and National Policy 11-203 *Process for exemptive relief applications in multiple jurisdictions* would replace the existing Mutual Reliance Review System policies for prospectus and exemptive relief applications.

All CSA members – except for the Ontario Securities Commission – plan to move forward with the enhanced passport system at the end of March 2008 by adopting the proposed passport rule (MI 11-102) published for comment earlier this year.

Under the proposed policies:

- The interfaces into Ontario for market participants based in passport jurisdictions are similar to the existing mutual reliance review systems.
- Ontario market participants have direct access to passport jurisdictions under the passport rule.
- Foreign market participants gain access to the Canadian capital markets through a principal regulator on the same basis as other market participants in that regulator's jurisdiction.

"The OSC has actively participated in developing the proposed prospectus and exemptive relief application policies and designing the interfaces between the passport jurisdictions and Ontario," said Doug Hyndman, Chair of the CSA Passport Steering Committee and Chair of the British Columbia Securities Commission. "We look forward to continuing to work with our Ontario colleagues as we develop a similar policy for registration. We expect to publish the registration interface policy in the next few months."

The passport system will allow a person who clears a prospectus, registers as a dealer or adviser, or obtains a discretionary exemption in that person's home province to have that clearance, registration or exemption automatically apply in all of the passport provinces and territories. It will also ensure that public companies are subject to only one set of harmonized requirements.

CSA passport regulators expect to implement the passport system in stages, starting with passport for prospectuses, continuous disclosure, and discretionary exemptions concurrently with the expected implementation of the national prospectus rule (NI 41-101) in March 2008. They expect to implement passport for registration later, concurrently with the national registration rule (NI 31-103) targeted for July 2008.

The proposed policies are available on various CSA members' websites. The comment period is open until October 30, 2007.

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:

Frédéric Alberro
Autorité des marchés financiers
514-940-2176

Jane Gillies
New Brunswick Securities Commission
506-643-7745

Andrew Poon
British Columbia Securities Commission
604-899-6880

Nicholas A. Pittas
Nova Scotia Securities Commission
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Tamera Van Brunt
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Doug Connolly
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Department of Government Services,
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709-729-4909

Laurie Gillet
Ontario Securities Commission
416-595-8913

1.4 Notices from the Office of the Secretary

1.4.1 Yamana Gold Inc. and Meridian Gold Inc.

FOR IMMEDIATE RELEASE
September 4, 2007

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

AND

IN THE MATTER OF
YAMANA GOLD INC. AND
MERIDIAN GOLD INC.

TORONTO – On September 4, 2007, the Commission issued a Notice of Hearing pursuant to subsection 104(2) and section 127 of the *Securities Act* to consider the Application of Yamana Gold Inc. dated August 24, 2007, as amended on September 2, 2007.

A copy of the Notice of Hearing, the Application dated August 24, 2007 and the amended Application dated September 2, 2007 are available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

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Director, Communications
& Public Affairs
416-593-8120

Laurie Gillett
Manager, Public Affairs
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For investor inquiries: OSC Contact Centre
416-593-8314
1-877-785-1555 (Toll Free)

1.4.2 Juniper Fund Management Corporation et al.

FOR IMMEDIATE RELEASE
September 4, 2007

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

AND

IN THE MATTER OF
THE JUNIPER FUND MANAGEMENT CORPORATION,
JUNIPER INCOME FUND,
JUNIPER EQUITY GROWTH FUND AND
ROY BROWN (a.k.a. ROY BROWN-RODRIGUES)

TORONTO – The Commission made an Order today pursuant to subsection 127(7) of the Act in the above named matter which provides that:

(a) the Hearing is scheduled to commence on April 7, 2008 and continue on April 8, 9, 10, 11 and 14, 16, 17 and 18, 2008; and

(b) the Temporary Order is extended until the conclusion of the Hearing.

A copy of the Order dated September 4, 2007 is available at **www.osc.gov.on.ca**.

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JOHN P. STEVENSON
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1.4.3 Al-Tar Energy Corp. et al.

FOR IMMEDIATE RELEASE
September 4, 2007

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

AND

IN THE MATTER OF
AL-TAR ENERGY CORP., ALBERTA ENERGY CORP.,
ERIC O'BRIEN, BILL DANIELS, BILL JAKES,
JOHN ANDREWS, JULIAN SYLVESTER,
MICHAEL N. WHALE, JAMES S. LUSHINGTON,
IAN W. SMALL, TIM BURTON, AND JIM HENNESY

TORONTO – The Secretary to the Commission issued a Notice of Hearing today scheduling a hearing to consider whether it is in the public interest for the Commission:

(1) to extend the Temporary Order pursuant to subsections 127(7) and (8) of the Act until the conclusion of the hearing, or until such further time as considered necessary by the Commission; and

(2) to make such further orders as the Commission considers appropriate.

A copy of the Notice of Hearing is available at **www.osc.gov.on.ca**.

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 BTIG, LLC - s. 6.1(1) of NI 31-102 National Registration Database and s. 6.1 of OSC Rule 13-502 Fees

Headnote

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

Rules Cited

National Instrument 31-102 National Registration Database (2007) 30 OSCB 5430, s. 6.1.
Ontario Securities Commission Rule 13-502 Fees (2003) 26 OSCB 867, ss. 4.1, 6.1.

August 30, 2007

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

AND

IN THE MATTER OF
BTIG, LLC

DECISION
(Subsection 6.1(1) of National 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 BTIG, LLC (the **Applicant**) for an order pursuant to subsection 6.1(1) of National Instrument 31-102 *National Registration Database* (**NI 31-102**) granting the Applicant relief from the electronic funds transfer requirement contemplated under NI 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 formed and registered in the state of Delaware. The Applicant's head office is located in San Francisco, California.

2. The Applicant is registered with the NASD and with the United States Securities and Exchange Commission as a broker-dealer in the United States.

3. The Applicant is not registered in any other Canadian Securities Administers (**CSA**) jurisdiction and is not registered in another category to which the EFT Requirement applies.

4. NI 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**).

5. The Applicant would incur significant costs to set up a Canadian based bank account for purposes of fulfilling the EFT Requirement.

6. The Applicant confirms that it does not intend to register in another category to which the EFT Requirement applies and that Ontario is the only jurisdiction in which it is seeking registration

7. 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**).

8. 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 NI 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 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 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"
Manager, Registrant Regulation

2.1.2 Integra Capital Management Corporation et al. - MRRS Decision

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – Relief granted from the mutual fund conflict of interest investment restrictions and mutual fund conflict of interest reporting requirements under securities legislation in connection with proposed investments by pooled funds in underlying pooled funds and mutual funds under common management - Investments by pooled funds in underlying funds may cause pooled funds to become "substantial security holder" in underlying funds - Investments by pooled funds in underlying mutual funds may trigger reporting requirement in connection with those transactions to extent pooled funds would be a "related person or company" to underlying mutual fund - Relief granted subject to certain conditions.

Applicable Ontario Statutory Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 111(2)(b), 111(3), 113, 117(1)(a), 117(1)(d), 117(2).

August 30, 2007

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

AND

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

AND

IN THE MATTER OF
INTEGRA CAPITAL MANAGEMENT CORPORATION,
INTEGRA CAPITAL LIMITED AND
INTEGRA CAPITAL FINANCIAL CORPORATION
(collectively, the Filers, individually, a Filer)

AND

INTEGRA DIVERSIFIED FUND
INTEGRA GROWTH ALLOCATION FUND
INTEGRA STRATEGIC ALLOCATION FUND
INTEGRA CONSERVATIVE ALLOCATION FUND
INTEGRA NEWTON GLOBAL BOND FUND
INTEGRA ACADIAN GLOBAL EQUITY FUND
INTEGRA NEWTON GLOBAL EQUITY FUND
INTEGRA 130/30 U.S. EQUITY FUND
INTEGRA GLOBAL MARKET NEUTRAL FUND
INTEGRA CANADIAN FIXED INCOME PLUS FUND
DIVERSIFIED PRIVATE TRUST
GROWTH & INCOME DIVERSIFIED PRIVATE TRUST

AND

LINCLUDEN PRIVATE TRUST
(the Existing Pooled Funds)

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, on their behalf and on behalf of the Existing Pooled Funds and such other pooled funds that are established and managed by a Filer after the date of this decision (the **Future Pooled Funds**, and together with the Existing Pooled Funds, the **Pooled Funds** or individually, a **Pooled Fund**) for a decision under the securities legislation of the applicable Jurisdictions (the **Legislation**) exempting:

(a) in Alberta and Ontario, the Pooled Funds, from the restriction in the Legislation prohibiting a mutual fund from knowingly making or holding an investment in a person or company in which the mutual fund, alone or together with one or more related mutual funds, is a substantial security holder (the **Mutual Fund Conflict of Interest Investment Restriction**); and

(b) the Filers from the requirement that a management company or, in British Columbia, a mutual fund manager, file a report relating to a purchase or sale of securities between the mutual fund and any related person or company or any transaction in which, by arrangement other than an arrangement relating to insider trading in portfolio securities, the mutual fund is a joint participant with one or more of its related persons or companies (the **Mutual Fund Conflict of Interest Reporting Requirement**, together with the Mutual Fund Conflict of Interest Investment Restriction, the **Requested Relief**).

Under the Mutual Reliance Review System for Exemptive Relief Applications

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

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

Interpretation

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

Representations

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

1. Each of the Filers is a corporation incorporated under the laws of Ontario. Integra Capital Management Corporation (**ICMC**) and Integra Capital Limited (**ICL**) each has its head office in the City of Oakville and Integra Capital Financial Corporation (**ICFC**) has its head office in Toronto. ICL is a wholly owned subsidiary of ICMC. Until March 12, 2007, ICL was also an affiliate of ICFC.

2. By virtue of a transaction which was completed on March 12, 2007, an affiliate of The Bank of Nova Scotia (the **Bank**) acquired 60% of the voting shares of ICFC formerly held by principals and shareholders of the Integra group (the **Transaction**). Pursuant to the agreement under which the Transaction was undertaken, an affiliate of the Bank will acquire the remaining 40% of the shares in ICFC five years from the date of closing from persons who are employed by ICFC and from certain of the shareholders of ICMC.

3. ICMC has established, and may establish in the future, Pooled Funds and mutual funds offered by prospectus (the **ICL Mutual Funds**), for which either ICMC or ICL is or will be the manager.

4. ICFC has established, and may establish in the future, Pooled Funds, for which ICFC is or will be the manager.

5. The Pooled Funds are or will be mutual funds established by declaration of trust under the laws of Ontario. Units of the Pooled Funds are or will be offered for sale only on a private placement basis pursuant to available prospectus and dealer registration exemptions in each of the provinces of Canada. The Pooled Funds are or will be mutual funds in Ontario, as defined under the *Securities Act* (Ontario), or mutual funds, as defined under the *Securities Act* (Alberta), but are not or will not be reporting issuers.

6. The ICL Mutual Funds are or will be open-end mutual fund trusts governed by declaration of trust under the laws of Ontario, the units of which are or will be offered for sale to the public pursuant to simplified prospectuses and annual information forms qualified in each of the provinces of Canada.

7. From time to time, a Pooled Fund may invest a certain portion of its assets in units of one or more of the Pooled Funds, the ICL Mutual Funds and any other pooled funds or prospectused mutual funds created and managed by a Filer from time to time (collectively, the **Underlying Funds**).

8. The actual weighting of the investment by each Pooled Fund in an Underlying Fund will be reviewed on a regular basis and adjusted to ensure that the investment weightings continue to be appropriate for that Pooled Fund's investment objectives.

9. Each Pooled Fund will actively manage its investments in an Underlying Fund with discretion to buy and sell units of the Underlying Fund, selected in accordance with the Pooled Fund's investment objective, as well as alter its holdings in any Underlying Fund in which it invests.

10. Pooled Fund unitholders may obtain a copy of the applicable Underlying Fund's disclosure documents (if any) or the annual or semi-annual financial statements free of charge upon request to the applicable manager.

11. Through investing in the Underlying Funds, the Pooled Funds will achieve greater diversification at a lower cost than investing directly in the securities held by the applicable Underlying Funds. This investment structure will also allow investors with smaller investments to have access to a larger variety of investments than would otherwise be available.

12. Investment by the Pooled Funds in the Underlying Funds will increase the asset base of the Underlying Funds, enabling the Underlying Funds to further diversify their portfolios to the benefit of all their investors. The larger asset base will also benefit investors in the Underlying Funds through achieving favourable pricing and transaction costs on portfolio trades, increased access to investments where there is a minimum subscription or purchase amount and economies of scale through greater administrative efficiency.

13. No sales fees or redemption fees will be payable in connection with the purchases or redemptions by the Pooled Funds of units of the Underlying Funds.

14. No management or other fee will be payable by the Pooled Funds that, to a reasonable person, would duplicate a fee payable by the applicable Underlying Funds for the same service.

15. Where a matter relating to an Underlying Fund requires a vote of unitholders of the Underlying Fund, the applicable Filer will not cause the units of the Underlying Fund held by a Pooled Fund to be voted at such meeting.

16. In the absence of an exemption from the Mutual Fund Conflict of Interest Investment Restriction, a Pooled Fund would be prohibited from knowingly making and holding an investment in an Underlying Fund if the Pooled Fund, alone or together with one or more related mutual funds, would be a substantial security holder of the Underlying Fund.

17. In the absence of an exemption from the Mutual Fund Conflict of Interest Reporting Requirement, either ICMC or ICL as applicable would be required to file a report for transactions involving the sale of units of an ICL Mutual Fund to a Pooled Fund, to the extent that Pooled Fund would be considered a “related person or company” (as that term is defined in the Legislation) of the ICL Mutual Fund. ICMC or ICL as the case may be, would similarly be required to file a report of every transaction in which, by arrangement, a Pooled Fund is a joint participant with an ICL Mutual Fund.

18. An investment by a Pooled Fund in units of the Underlying Funds will represent the business judgment of responsible persons uninfluenced by considerations other than the best interests of the Pooled Fund.

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 following conditions are satisfied:

(a) units of a Pooled Fund are sold solely pursuant to available prospectus and dealer registration exemptions in each of the provinces of Canada;

(b) no management or incentive fees are payable by a Pooled Fund that, to a reasonable person, would duplicate a fee payable by the Underlying Fund for the same service;

(c) no sales or redemption fees are payable by a Pooled Fund in relation to its purchases or redemptions of the units of the Underlying Funds;

(d) the applicable Filer does not vote the units of the Underlying Funds that are held by a Pooled Fund; and

(e) if available, the offering memorandum (or other similar document) of a Pooled Fund will disclose:

(i) that the Pooled Fund may purchase units of the Underlying Funds;

(ii) the fact that both the Pooled Fund and the Underlying Funds are managed by one or more of the Filers; and

(iii) the approximate or maximum percentage of net assets of the Pooled Fund that is dedicated to investment in units of the Underlying Funds.

"Paul K. Bates"
Commissioner
Ontario Securities Commission

"David L. Knight"
Commissioner
Ontario Securities Commission

2.1.3 Lockwood Capital Management, Inc. - s. 6.1(1) of NI 31-102 National Registration Database and s. 6.1 of OSC Rule 13-502 Fees

Headnote

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

Rules Cited

National Instrument 31-102 National Registration Database (2007) 30 OSCB 5430, s. 6.1.
Ontario Securities Commission Rule 13-502 Fees (2003) 26 O.S.C.B. 867, ss. 4.1, 6.1.

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

AND

IN THE MATTER OF
LOCKWOOD CAPITAL MANAGEMENT, INC.

DECISION
(Subsection 6.1(1) of National 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 Capital Management, Inc. (the **Applicant**) for an order pursuant to subsection 6.1(1) of National Instrument 31-102 *National Registration Database* (**NI 31-102**) granting the Applicant relief from the electronic funds transfer requirement contemplated under NI 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 corporation under the laws of the State of Delaware in the United States. The Applicant is not a reporting issuer. The Applicant is seeking registration under the *Securities Act* (Ontario) as an adviser in the category of Non-Canadian Adviser (NCA) or international 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 anticipates encountering difficulties in setting up a Canadian based bank account for purposes of fulfilling the EFT Requirement.

4. The Applicant confirms that it is not registered, 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 NI 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 an international dealer, an international adviser, or 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.

September 4, 2007

"David M. Gilkes"
Manager, Registrant Regulation

2.1.4 Wi-LAN V-Chip Corp. - MRRS Decision

Headnote

Order that Filer is not a reporting issuer - order Ontario Filer deemed to have ceased to be offering its securities to the public (OBCA) – after acquisition and amalgamation, reporting issuer's shares are owned 100% by one shareholder, with no securities trading on a marketplace as defined in NI 21-101 and Filer is applying to not be a reporting issuer in all Jurisdictions

Applicable Legislative Provisions

Ontario Securities Act, s. 1(10).
Ontario Business Corporations Act, s. 1(6).

August 29, 2007

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

AND

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

AND

IN THE MATTER OF
WI-LAN V-CHIP CORP. (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 (i) a decision under the securities legislation of the Jurisdictions (the Legislation) that the Filer is not a reporting issuer in the Jurisdictions (the Reporting Issuer Relief); and (ii) for a decision by the Decision Maker in Ontario that pursuant to the *Business Corporations Act* (Ontario) (the OBCA) the Filer is deemed to have ceased to be offering its securities to the public for the purposes of the OBCA (the Offering Corporation Relief);

Under the Mutual Reliance Review System for Exemptive Relief Applications:

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

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

Interpretation

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

Representations

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

1. On June 29, 2007, Wi-LAN Acquisition Inc. ("Acquisition Sub"), a wholly-owned subsidiary of Wi-LAN Inc. ("Wi-LAN"), amalgamated with Tri-Vision International Ltd./Ltée ("Tri-Vision"), Tri-Vision Electronics Inc. ("TVE") and Tri-Vision Electronics 2006 Inc. ("TVE 2006"), TVE and TVE 2006 being wholly-owned subsidiaries of Tri-Vision, and continued as the Filer (the "Amalgamation").

2. Upon the completion of the Amalgamation the Filer became a reporting issuer.

3. There are 10 common shares of the Filer issued and outstanding, all of which are held by Wi-LAN as the sole shareholder of the Filer. The Filer has no other securities, including debt securities, outstanding.

4. The common shares of Tri-Vision were de-listed from the Toronto Stock Exchange on July 6, 2007 and no securities of the Filer are traded on a marketplace as defined in National Instrument 21-101 Marketplace Operation.

5. The Filer has filed a notice under BC Instrument 11-502 to voluntarily surrender its reporting issuer status in British Columbia.

6. The Filer has automatically ceased to be a reporting issuer in Saskatchewan pursuant to Saskatchewan General Ruling/Order 52-904 *Certain Issuers Ceasing to be Reporting Issuers in Reorganizations and Take-over Bids*.

7. The Filer 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, other than British Columbia and Saskatchewan.

8. Other than a failure of Tri-Vision to file its annual financial statements for the year ended March 31, 2007 on June 29, 2007, the effective date of the Amalgamation, the Filer is not in default in any of its obligations under the Legislation as a reporting issuer.

9. The Filer does not intend to offer securities to the public.

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 Reporting Issuer Relief is granted.

The further decision of the Decision Maker in Ontario under the OBCA is that the Offering Corporation Relief is granted.

"Kevin Kelly"
Commissioner
Ontario Securities Commission

"David Knight"
Commissioner
Ontario Securities Commission

2.1.5 Osprey Media Income Fund - s. 1(10)

Headnote

Mutual Reliance Review System for Exemptive Relief Applications – application for an order that the issuer is not a reporting issuer.

Ontario Statutes

Securities Act, R.S.O. 1990, c. S.5, as am., s. 1(10).

August 31, 2007

Ogilvy Renault LLP
1981 McGill College Avenue
Suite 1100
Montréal, QC H3A 3C1

Attention : Niko Veilleux

Dear Sirs/Mesdames :

Re: Osprey Media Income Fund (the Applicant) - Application that the Applicant is not a reporting issuer under the securities legislation of Alberta, Saskatchewan, Manitoba, Ontario, Québec, New Brunswick, Nova Scotia and Newfoundland and Labrador (the Jurisdictions)

The Applicant has applied to the local securities regulatory authority or regulator (the Decision Makers) in each of the Jurisdictions for a decision under the securities legislation (the Legislation) of the Jurisdictions that the Applicant is not 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 not 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 Makers with the jurisdiction to make the decision has been met and order that the Applicant is not a reporting issuer.

"Iva Vranic"
Manager, Corporate Finance
Ontario Securities Commission

2.1.6 Covington Fund (I) Inc. - s. 83

Headnote

Application for an order that the issuer is not a reporting issuer.

Statutes Cited

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 83, 1(10).

August 30, 2007

Gowling Lafleur Henderson LLP
Barristers & Solicitors
Suite 1600, 1 First Canadian Place
100 King Street West
Toronto, Ontario
M5X 1G5

Attention: Angela Nikolakakos

Re: Covington Fund (I) Inc. ("the Applicant") - Application to Cease to be a Reporting Issuer under Section 83 of the Securities Act (Ontario), c. S.5, as amended (the "Act")

The Applicant has applied to the Ontario Securities Commission (the "Commission") for an order under section 83 of the Act to be deemed to have ceased to be a reporting issuer.

The Applicant has represented to the Commission that on the Effective Date:

- the outstanding securities of the Applicant, including debt securities are beneficially owned, directly or indirectly, by less than 15 security holders in Ontario and less than 51 security holders in Canada;
- no securities of the Applicant are traded on a marketplace as defined in National Instrument 21-101;
- the Applicant is not in default of any of its obligations under the Act as a reporting issuer; and
- the Applicant will not be a reporting issuer or the equivalent in any jurisdiction in Canada immediately following the Director granting the relief requested.

The Director is satisfied that it not be prejudicial to the public interest to grant the requested relief and orders that the Applicant is deemed to have ceased to be a reporting issuer.

"Vera Nunes"
Assistant Manager, Investment Funds Branch
Ontario Securities Commission

2.2 Orders

2.2.1 Heyden & Steindl GmbH - s. 80 of the CFA

Headnote

Section 80 of the Commodity Futures Act (Ontario) – Relief from the adviser registration requirements of paragraph 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 traded on commodity futures exchanges outside of Canada and cleared through clearing corporations outside of Canada, 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
HEYDEN & STEINDL GmbH

ORDER
(Section 80 of the CFA)

UPON the application (the **Application**) of Heyden & Steindl GmbH (the **Sub-Adviser**) to the Ontario Securities Commission (the **Commission**) for an order, pursuant to section 80 of the CFA, that the Sub-Adviser (including its directors, officers and employees) be exempt, for a period of five years, from the requirements of paragraph 22(1)(b) of the CFA in respect of advice provided with respect to the Niagara Discovery Fund (the **Specified Fund**), and other mutual funds (the **FMGL Managed Funds**, as defined below), the principal investment adviser of which is Friedberg Mercantile Group Ltd. (the **Principal Advisor**) in respect of trades in commodity futures contracts and commodity futures options traded on commodity futures exchanges outside of Canada and cleared through clearing corporations outside of Canada;

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

AND UPON the Sub-Adviser having represented to the Commission that:

1. The Sub-Adviser was established in 1997 as a private partnership and is a limited liability company (GmbH) incorporated under German law as of February 5, 2002. At the time of incorporation, the Sub-Adviser's name was Heyden & Schreiber GmbH. On February 20, 2004, the name of the Sub-Adviser was changed to Heyden & Steindl GmbH.

2. The Sub-Adviser is duly registered with the Bundesbank and the German Financial Supervisory Authority (the **BaFin**) to advise in respect of, *inter alia*, commodity futures contracts and commodity futures options.

3. The Principal Adviser is a corporation continued under the *Canada Business Corporations Act* and is resident in Ontario. The Principal Adviser is registered:

   (a) under the *Securities Act* (Ontario) (the **OSA**) as a dealer in the categories of broker and investment dealer; and

   (b) under the CFA as a dealer in the category of commodity futures merchant and as an advisor in the category of commodity trading manager.

4. The Specified Fund is a mutual fund (as defined in the OSA), the units of which are distributed on a prospectus exempt basis pursuant to an offering memorandum. The Specified Fund is constituted as a limited partnership organized under the laws of Ontario.

5. The Principal Adviser acts as portfolio manager for the Specified Fund. The Principal Adviser is also the portfolio manager for various other investment funds, which are currently constituted as limited partnerships or trusts, and may in the future act as portfolio manager for additional funds, however constituted (such current and future funds, together with the Specified Fund, being the **FMGL Managed Funds**).

6. The FMGL Managed Funds may, as part of their investment program, invest in commodity futures contracts and commodity futures options traded on commodity futures exchanges outside of Canada and cleared through clearing corporations outside of Canada.

7. Units of certain of the existing FMGL Managed Funds have been offered by prospectus, or simplified prospectus and annual information form, while units of the other existing FMGL Managed Funds, including the Specified Fund, have been, or will be, offered only on a prospectus exempt basis. Securities of future FMGL Managed Funds may be offered through a prospectus or on a prospectus exempt basis.

8. The Sub-Adviser will be entering into a sub-advisory agreement (the **Sub-Advisory Agree-**

ment), and may in the future enter into additional Sub-Advisory Agreements, with the Principal Adviser whereby the Principal Adviser provides investment advice and portfolio management services to the FMGL Managed Funds in respect of purchases and sales of commodity futures contracts and commodity futures options and the Sub-Adviser acts as sub-adviser to the Principal Adviser (the **Proposed Advisory Services**).

9. Paragraph 22(1)(b) of the CFA prohibits a person or company from acting as an adviser unless the person or company is registered as an adviser under the CFA, or is registered as a partner or an officer of a registered adviser and is acting on behalf of a registered adviser. Under the CFA, "adviser" means a person or company engaging in or holding himself, herself or itself out as engaging in the business of advising others as to trading in "contracts", and "contracts" means commodity futures contracts and commodity futures options.

10. By providing the Proposed Advisory Services, the Sub-Adviser will be acting as an adviser with respect to commodity futures contracts and commodity futures options and, in the absence of being granted the requested relief, would be required to register as an adviser under the CFA.

11. There is presently no rule under the CFA that provides an exemption from the adviser registration requirement in paragraph 22(1)(b) of the CFA for a person or company acting as an adviser in respect of commodity futures contracts and commodity futures options that is similar to the exemption from the adviser registration requirement in section 25(1)(c) of the OSA for acting as an adviser (as defined in the OSA) in respect of securities that is provided under section 7.3 of OSC Rule 35-502 – *Non Resident Advisers* (**Rule 35-502**).

12. As would be required under section 7.3 of Rule 35-502:

    (a) the obligations and duties of the Sub-Adviser in connection with the Proposed Advisory Services will be set out in a written agreement with the Principal Adviser;

    (b) the Principal Adviser will contractually agree with the FMGL Managed Funds to be responsible for any loss that arises out of the failure of the Sub-Adviser:

        (i) to exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the Principal Adviser and the FMGL Managed Funds; or

        (ii) to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances (together with (i), the **Assumed Obligations**); and

    (c) the Principal Adviser cannot be relieved by the FMGL Managed Funds from its responsibility for any loss that arises out of the failure of the Sub-Adviser to meet the Assumed Obligations.

13. The Sub-Adviser is not resident of any province or territory of Canada.

14. The Sub-Adviser is appropriately registered to provide advice to the FMGL Managed Funds pursuant to the applicable legislation of its principal jurisdiction. In particular, the Sub-Adviser is appropriately registered with the BaFin to advise in respect of commodity futures contracts and commodity futures options.

15. Prior to purchasing any securities in one or more of the FMGL Managed Funds, all investors in the FMGL Managed Funds who are Ontario residents will receive written disclosure that includes:

    (a) a statement that the Principal Adviser is responsible for any loss that arises out of the failure of the Sub-Adviser to meet the Assumed Obligations;

    (b) a statement that there may be difficulty in enforcing any legal rights against the Sub-Adviser (or the individual representatives of the Sub-Adviser) advising the relevant FMGL Managed Fund because it is resident outside of Canada and all or substantially all of its assets are situated outside of Canada;

    (c) a statement that the Sub-Adviser advising the relevant FMGL Managed Fund is not, or will not be, registered with the Commission under the CFA and, accordingly, the protections available to clients of a registered adviser under the CFA will not be available to purchasers of units of the relevant FMGL Managed Fund.

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

IT IS ORDERED pursuant to section 80 of the CFA that the Sub-Adviser (including its directors, officers or employees) is exempted from the requirements of paragraph 22(1)(b) of the CFA in respect of the Proposed

Advisory Services provided to the Principal Adviser, for a period of five years, provided that at the relevant time that such activities are engaged in:

(a) the Principal Adviser is registered under the CFA as an adviser in the category of commodity trading manager;

(b) the Sub-Adviser is appropriately registered to provide advice to the FMGL Managed Funds pursuant to the applicable legislation of its principal jurisdiction;

(c) the obligations and duties of the Sub-Adviser are set out in a written agreement with the Principal Adviser;

(d) the Principal Adviser has contractually agreed with the respective FMGL Managed Fund to be responsible for any loss that arises out of the failure of the Sub-Adviser to meet the Assumed Obligations;

(e) the Principal Adviser cannot be relieved by the respective FMGL Managed Fund from its responsibility for any loss that arises out of the failure of the Sub-Adviser to meet the Assumed Obligations; and

(f) prior to purchasing any securities in one or more of the FMGL Managed Funds, all investors in the FMGL Managed Funds who are Ontario residents received written disclosure that includes:

  (i) a statement that the Principal Adviser is responsible for any loss that arises out of the failure of the Sub-Adviser to meet the Assumed Obligations;

  (ii) a statement that there may be difficulty in enforcing any legal rights against the Sub-Adviser (or the individual representatives of the Sub-Adviser) advising the relevant FMGL Managed Fund because it is resident outside of Canada and all or substantially all of its assets are situated outside of Canada; and

  (iii) a statement that the Sub-Adviser advising the relevant FMGL Managed Fund is not, or will not be, registered with the Commission under the CFA and, accordingly, the protections available to clients of a registered adviser under the CFA will not be available to purchasers of units of the relevant FMGL Managed Fund.

August 31, 2007

"Robert L. Shirriff"
Commissioner
Ontario Securities Commission

"Margot C. Howard"
Commissioner
Ontario Securities Commission

2.2.2 Schroder Investment Management North America Inc. et al. - ss. 3.1(1), 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 in respect of acting as an adviser to certain non-redeemable investment funds and similar investment vehicles primarily offered outside of Canada in respect of trades in commodity futures contracts and commodity futures options primarily traded on commodity futures exchanges outside Canada and primarily cleared through clearing corporations outside Canada, subject to certain terms and conditions.

Subsection 3.1(1) of the Commodity Futures Act (Ontario) – Assignment by the Commission to the Director of the powers and duties vested in the Commission under subsection 78(1) of the CFA to allow the Director to vary the present order by specifically naming an affiliate as an applicant to the order.

Statutes Cited

Commodity Futures Act, R.S.O. 1990, c. C.20, as am., ss. 3.1(1), 22(1)(b), 78, 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
SCHRODER INVESTMENT MANAGEMENT
NORTH AMERICA INC.
SCHRODER INVESTMENT MANAGEMENT
NORTH AMERICA LIMITED
SCHRODER INVESTMENT MANAGEMENT LIMITED
AND
NEW FINANCE CAPITAL LLP

ORDER
(Section 80 and Subsection 3.1(1) of the CFA)

UPON the application (the **Application**) of Schroder Investment Management North America Inc. (**SIMNA Inc.**), Schroder Investment Management North America Limited (**SIMNA Limited**), Schroder Investment Management Limited (**SIM**) and New Finance Capital LLP (**NF Capital**) (together, the **Named Applicants**) and on behalf of certain affiliates of the Named Applicants that provide notice to the Director as referred to below (each, an **Affiliate**, and together with the Named Applicants, the **Applicants**) to the Ontario Securities Commission (the **Commission**) for:

(a) an order, pursuant to section 80 of the CFA, that each of the Applicants (including their respective directors, partners, officers, and employees), be exempt, for a period of five years, from the requirements of paragraph 22(1)(b) of the CFA in respect of acting as an adviser to certain mutual funds, non-redeemable investment funds and similar investment vehicles (the **Funds**, as defined below) primarily offered outside of Canada in respect of trades in commodity futures contracts and commodity futures options primarily traded on commodity futures exchanges outside Canada and primarily cleared through clearing corporations outside Canada; and

(b) an assignment by the Commission to each Director, acting individually, pursuant to subsection 3.1(1) of the CFA, of the powers and duties vested in the Commission under subsection 78(1) of the CFA, to vary this Order by specifically naming any Affiliate of the Named Applicants as an Applicant to this Order in the circumstances described below;

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

AND UPON the Applicants having represented to the Commission that:

1. Each of the Applicants is organized under the laws of a jurisdiction other than Canada or the provinces or territories thereof. In particular:

(a) SIMNA Inc. is a corporation formed under the laws of Delaware;

(b) SIMNA Limited is a company formed under the laws of England and Wales;

(c) SIM is a company formed under the laws of England and Wales; and

(d) NF Capital is a limited partnership organized under the laws of England and Wales.

2. Any Affiliate, whose name does not specifically appear in this Order, who wishes to rely on the exemption granted under this Order must execute and file with the Commission (Attention: Manager, Registrant Regulation) two copies of a notice (the **Notice**, in the form of Part A to the attached Schedule A), applying to the Director to vary this Order to specifically name the Affiliate as an Applicant to this Order. The Notice must be filed with the Commission at least ten (10) days prior to the date that such Affiliate wishes to begin relying on this Order.

3. If, in the Director's opinion, it would not be prejudicial to the public interest, within ten (10) days after receiving the Notice, the Director will provide the Affiliate with a written acknowledgment and consent (the **Director's Consent**, in the form of Part B to the attached Schedule A). The Director's Consent will allow the Affiliate to rely on the exemption granted in this Order by varying the Order to specifically name the Affiliate as an Applicant to this Order. The Affiliate may not rely on this Order until it has received the Director's Consent.

4. If, after reviewing the Notice, the Director provides a written notice of objection (the **Objection Notice**) to the Affiliate, the Affiliate will not be permitted to rely on the exemption granted under this Order. However, the Affiliate may, by notice in writing sent by registered mail to the Secretary of the Commission within 30 days after receiving the Objection Notice, request and be entitled to a hearing and review of such decision by the Commission.

5. Subsection 78(1) of the CFA provides that the Commission may, on the application of a person or company affected by the decision, make an order revoking or varying a decision of the Commission if, in the Commission's opinion, the order would not be prejudicial to the public interest. Further, subsection 3.1(1) of the CFA provides that a quorum of the Commission may assign any of its powers and duties under the CFA (except powers and duties under section 4 and Part IV) to the Director.

6. None of the Applicants are or will be registered in any capacity under the CFA. Each of SIMNA Inc. and SIMNA Limited is registered with the Commission as a non-Canadian adviser in the categories of investment counsel and portfolio manager.

7. (i) SIMNA Inc. is the investment manager and SIMNA Limited acts as sub-adviser to the Schroder Commodity Portfolio and the Schroder Agriculture Portfolio; (ii) SIM acts as the investment manager of the Schroder Alternative Solutions Commodity Fund and the Schroder Alternative Solutions Agriculture Fund; and (iii) NF Capital acts as the investment manager of the Opus Commodities Fund Limited and the Opus Fund Limited (all of the foregoing funds are referred to collectively as the **Existing Funds**). The Applicants may in the future establish or advise certain other mutual funds, non-redeemable investment funds or similar investment vehicles (together with the Existing Funds, the **Funds**).

8. The Funds may, as a part of their investment program, invest in commodity futures contracts and commodity futures options primarily traded on commodity futures exchanges outside of Canada and primarily cleared through clearing corporations outside of Canada.

9. The Funds advised by the Applicants are and will be established outside of Canada. Securities of the Funds are and will be primarily offered outside of Canada to institutional investors and high net worth individuals. Securities of the Funds will be offered to a small number of Ontario residents who will be, at the time of their investment, institutional investors or high net worth individuals that qualify as an "accredited investor" under National Instrument 45-106 – *Prospectus and Registration Exemptions* and will be distributed in Ontario in reliance upon an exemption from the prospectus requirements of OSA.

10. Paragraph 22(1)(b) of the CFA prohibits a person or company from acting as an adviser unless the person or company is registered as an adviser under the CFA, or is registered as a partner or an officer of a registered adviser and is acting on behalf of a registered adviser. Under the CFA, "adviser" means a person or company engaging in or holding himself, herself or itself out as engaging in the business of advising others as to trading in "contracts", and "contracts" means commodity futures contracts and commodity futures options.

11. By advising the Funds on investing in commodity futures contracts and commodity futures options primarily traded on commodity futures exchanges outside Canada and primarily cleared through clearing corporations outside Canada, the Applicants will be providing advice to Ontario investors with respect to commodity futures contracts and commodity

futures options and, in the absence of being granted the requested relief, would be required to register as advisers under the CFA.

12. There is presently no rule under the CFA that provides an exemption from the adviser registration requirement in paragraph 22(1)(b) of the CFA for a person or company acting as an adviser in respect of commodity futures options and commodity futures contracts that is similar to the exemption from the adviser registration requirement in section 25(1)(c) of the OSA for acting as an adviser (as defined in the OSA) in respect of securities that is provided under section 7.10 (Privately Placed Funds Offered Primarily Abroad) of OSC Rule 35-502 – *Non Resident Advisers* (**Rule 35-502**).

13. As would be required under section 7.10 of Rule 35-502, securities of the Funds are, or will be:

    (a) primarily offered outside of Canada;

    (b) only distributed in Ontario through one or more registrants under the OSA; and

    (c) distributed in Ontario in reliance upon an exemption from the prospectus requirements of the OSA.

14. In advising the Funds, the Applicants will either hold the required registrations under the OSA or will rely on an appropriate exemption from the adviser registration requirements under the OSA.

15. Each of the Applicants, where required, is or will be appropriately registered or licensed or is, or will be, entitled to rely on appropriate exemptions from such registrations or licences to provide advice to the Funds pursuant to the applicable legislation of its principal jurisdiction. In particular, SIMNA Inc. and SIMNA Limited are registered investment advisers with the U.S. Securities and Exchange Commission and are exempt from registering as a commodity trading adviser and commodity pool operator with the U.S. Commodity Futures Trading Commission. NF Capital and SIM are authorized and regulated in the UK by the Financial Services Authority.

16. All of the Funds issue securities which are offered primarily abroad. None of the Funds has any intention of becoming a reporting issuer in Ontario or in any other Canadian jurisdiction.

17. Prior to purchasing any securities in one or more of the Funds, all investors in the Funds who are Ontario residents will receive disclosure that includes:

    (a) a statement that there may be difficulty in enforcing any legal rights against the relevant Fund or any of the Applicants (or the individual representatives of the Applicants) advising the relevant Fund, because such entities are resident outside of Canada and all or substantially all of their assets are situated outside of Canada; and

    (b) a statement that the relevant Applicant advising the relevant Fund is not, or will not be, registered with or licensed by any regulatory authority in Canada, and accordingly, the protections available to clients of a registered adviser under the CFA will not be available to purchasers of securities of the relevant Fund.

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

IT IS ORDERED pursuant to section 80 of the CFA that each of the Applicants are exempted from the requirements of paragraph 22(1)(b) of the CFA in respect of acting as an adviser in connection with any one or more of the Funds, for a period of five years, provided that at the relevant time that such activities are engaged in:

    (a) each Applicant, where required, is registered or licensed, or is entitled to rely on appropriate exemptions from such registrations or licences, to provide advice to the relevant Fund pursuant to the applicable legislation of its principal jurisdiction;

    (b) the Funds invest in commodity futures contracts and commodity futures options primarily traded on commodity futures exchanges outside Canada and primarily cleared through clearing corporations outside Canada;

    (c) securities of the Funds are:

        (i) primarily offered outside of Canada,

        (ii) only distributed in Ontario through one or more registrants under the OSA; and

(iii) distributed in Ontario, in reliance on an exemption from the prospectus requirements of the OSA;

(d) the Applicants will either hold the required registrations under the OSA or will rely on an appropriate exemption from the adviser registration requirements under the OSA;

(e) prior to purchasing any securities in one or more of the Funds, all investors in the Funds who are Ontario residents received disclosure that includes:

(i) a statement that there may be difficulty in enforcing any legal rights against the relevant Fund or any of the Applicants (or the individual representatives of the Applicants) advising the relevant Fund, because such entities are resident outside of Canada and all or substantially all of their assets are situated outside of Canada; and

(ii) a statement that the relevant Applicant advising the relevant Fund is not, or will not be, registered with or licensed under the CFA, and accordingly, the protections available to clients of a registered adviser under the CFA will not be available to purchasers of securities of the relevant Fund; and

(f) each Applicant either:

(i) is specifically named in this Order; or

(ii) has filed with the Commission the Notice and received the Director's Consent.

AND IT IS FURTHER ORDERED pursuant to subsection 3.1(1) of the CFA that the Commission assigns to each Director, acting individually, the powers and duties vested in the Commission under subsection 78(1) of the CFA, to vary this Order by specifically naming any Affiliate of the Named Applicants as an Applicant to this Order (as described in paragraphs 2, 3 and 4 above) by providing such Affiliate with the Director's Consent, provided that, the Affiliate may, by notice in writing sent by registered mail to the Secretary of the Commission within 30 days after receiving the Objection Notice, request and be entitled to a hearing and review of such decision by the Commission.

August 31, 2007

"Robert L. Shirriff"
Commissioner
Ontario Securities Commission

"Margot C. Howard"
Commissioner
Ontario Securities Commission

Schedule A

To: Manager, Registrant Regulation
Ontario Securities Commission

From: _____ (the **Affiliate**)

Re: In the Matter of *Schroder Investment Management North America Inc., Schroder Investment Management North America Limited, Schroder Investment Management Limited and New Finance Capital LLP* (the **Named Applicants**)

OSC File No.: 2007/0479

Part A: Notice to the Ontario Securities Commission (the Commission)

The undersigned, being an authorized representative of the Affiliate, hereby represents to the Commission that:

(a) on August ___, 2007, the Commission issued the attached order (the **Order**), pursuant to section 80 of the *Commodity Futures Act* (Ontario) (the **CFA**), that each of the Applicants (as defined in the Order) is exempt from the requirements of paragraph 22(1)(b) of the CFA in respect of acting as an adviser in connection with any one or more of the Funds (as defined in the Order), for a period of five years;

(b) the Affiliate, is an affiliate of one of the Named Applicants;

(c) the Affiliate, whose name does not specifically appear in the Order, wishes to rely on the exemption granted under the Order and hereby applies to the Director, under section 78 of the CFA, to vary the Order to specifically name the Affiliate as an Applicant to the Order;

(d) the Affiliate has attached a copy of the Order to this Notice;

(e) the Affiliate confirms the truth and accuracy of all the information set out in the Order;

(f) this Notice has been executed and filed with the Commissioner at least ten (10) days prior to the date on which the Affiliate wishes to begin relying on the Order; and

(g) the Affiliate has not, and will not, rely on the Order until it has received a written acknowledgment and consent from the Director as provided in Part B herein.

Dated this ____ day of _____, 20___.

_____
By: Name:
Title:

Part B: Acknowledgment and Consent by Director

I acknowledge receipt of your Notice, dated _____, 20__, providing the Commission with notice, as described in the Order, that the Affiliate, whose name does not specifically appear in the Order, wishes to rely on the exemption granted under the Order and has applied to have the Order varied to specifically name the Affiliate as an Applicant to the Order.

Based on the representations contained in the Order and in your Notice, I do not consider it prejudicial to the public interest to vary the Order to specifically name the Affiliate as an Applicant to the Order and do hereby so vary the Order.

Dated this ____ day of _____, 20___.

_____
Name:
Title:
Ontario Securities Commission

2.2.3 Juniper Fund Management Corporation et al. - s. 127(7)

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

AND

IN THE MATTER OF
THE JUNIPER FUND MANAGEMENT CORPORATION,
JUNIPER INCOME FUND,
JUNIPER EQUITY GROWTH FUND AND
ROY BROWN (a.k.a. ROY BROWN-RODRIGUES)

ORDER
Section 127(7)

WHEREAS on March 8, 2006, the Ontario Securities Commission (the "Commission") ordered pursuant to section 127(5) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") that all trading in the securities of the Juniper Income Fund and the Juniper Equity Growth Fund (the "Funds") shall cease forthwith for a period of 15 days from the date thereof (the "Temporary Order");

AND WHEREAS pursuant to sections 127(1) and 127(5) of the Act, a hearing was scheduled for March 23, 2006 at 10:00 a.m. (the "Hearing");

AND WHEREAS the Respondents were served with the Temporary Order, the Notice of Hearing dated March 21, 2006, the Statement of Allegations dated March 21, 2006 and the Affidavit of Trevor Walz sworn March 17, 2006;

AND WHEREAS on March 23, 2006, the Commission ordered: (i) an extension of the Temporary Order to May 4, 2006; and (ii) an adjournment of the Hearing to May 4, 2006;

AND WHEREAS Staff have advised that the Commission issued two Directions dated May 4, 2006 under section 126(1) of the Act freezing bank accounts of The Juniper Fund Management Corporation ("JFM"), the Funds and Roy Brown without notice to any of the Respondents;

AND WHEREAS on May 4, 2006, the Commission ordered: (i) the Hearing adjourned to May 23, 2006; (ii) the Temporary Order extended to May 23, 2006; (iii) JFM not to be paid any monthly management fees; (iv) JFM's requests for funds to pay expenses incurred by the Funds to continue to be subject to approval by NBCN Inc. ("NBCN"); (v) weekly lists of expenses by the Funds to continue to be provided to and reviewed by Staff; and (vi) neither JFM nor Roy Brown to deal in any way with the assets or investments of the Funds;

AND WHEREAS Staff have advised that on May 11, 2006 and June 30, 2006, the Ontario Superior Court of Justice (the "Superior Court") ordered that the two Directions dated May 4, 2006 freezing bank accounts of JFM, the Funds and Roy Brown be extended with the exception of the personal accounts and one JFM account as defined in the Superior Court orders dated May 11, 2006 and June 30, 2006;

AND WHEREAS the two Directions expired on September 30, 2006;

AND WHEREAS on May 18, 2006, the Superior Court issued an *ex parte* order appointing Grant Thornton Limited as Receiver over the assets, undertakings and properties of JFM and the Funds (the "Receivership Order");

AND WHEREAS on May 18, 2006, the Commission granted leave to McMillan Binch Mendelsohn LLP to withdraw as counsel for the Respondents;

AND WHEREAS on May 23, 2006, the Commission ordered: (i) the Hearing adjourned to September 21, 2006; and (ii) the Temporary Order extended to September 21, 2006;

AND WHEREAS on June 2, 2006, the Superior Court confirmed and extended the Receivership Order and approved the conduct of the Receiver and its counsel as set out in the First Report of the Receiver dated May 30, 2006;

AND WHEREAS on September 21, 2006, the Commission ordered: (i) the Hearing adjourned to November 8, 2006; and (ii) the Temporary Order extended to November 8, 2006;

AND WHEREAS NBCN and National Bank Financial Ltd. ("NBFL") have brought a motion for intervenor status in these proceedings (the "Intervenor Motion");

AND WHEREAS on November 7, 2006, the Commission adjourned the Hearing and the Intervenor Motion to December 13, 2006 and extended the Temporary Order to December 13, 2006;

AND WHEREAS on November 17, 2006, the Superior Court ordered, *inter alia*, that: (i) the Receiver is authorized to call a meeting of unitholders of the Funds; and (ii) the conduct of the Receiver and its counsel, as described in the Second and Third Reports of the Receiver, is approved without prejudice to the right of NBFL and NBCN to dispute the Receiver's conclusion that NBFL and NBCN hold no units in the Juniper Equity Growth Fund;

AND WHEREAS by letter dated December 6, 2006, counsel for NBCN and NBFL advised that they intend to withdraw the Intervenor Motion;

AND WHERAS on December 13, 2006, the Commission ordered: (i) an extension of the Temporary Order to March 2, 2007; and (ii) an adjournment of the Hearing to March 2, 2007;

AND WHEREAS on December 13, 2006, counsel for the Receiver advised that the Receiver will shortly be sending out an update letter to all unitholders explaining the steps taken by the Receiver and the status of the ongoing receivership;

AND WHEREAS on December 13, 2006 Staff advised that Staff's investigation and the investigation by the Receiver are both ongoing and there was a reasonable prospect that Staff's investigation would be completed by March 2007;

AND WHEREAS on December 13, 2006, counsel for the Receiver and Staff of the Commission had consented to: (i) an adjournment of the Hearing to March 2, 2007; and (ii) an extension of the Temporary Order to March 2, 2007 and counsel for Roy Brown did not consent to the adjournment or the extension of the Temporary Order and requested the earliest possible return date;

AND WHEREAS on December 13, 2006, counsel for Roy Brown and Staff of the Commission scheduled a tentative pre-hearing conference with a Commissioner on February 27, 2007 at 11:00 a.m.;

AND WHEREAS on March 2, 2007, Staff advised that Staff's investigation and the investigation by the Receiver are both ongoing and that there is a reasonable prospect that Staff's investigation will be completed by April 2007;

AND WHEREAS on March 2, 2007, Staff advised that the tentative pre-hearing conference scheduled for February 27, 2007 did not proceed as Staff's investigation was ongoing;

AND WHEREAS on March 2, 2007, Staff advised that 13 volumes of initial Staff disclosure were sent to counsel for Roy Brown on February 23, 2007;

AND WHEREAS on March 2, 2007, counsel for the Receiver provided an update of the ongoing receivership and advised that an update letter had been sent to all unitholders;

AND WHEREAS on March 2, 2007, Staff of the Commission requested and counsel for the Receiver consented to: (i) an adjournment of the Hearing to May 22, 2007; and (ii) an extension of the Temporary Order to May 22, 2007, and counsel for Roy Brown did not consent to the adjournment and extension of the Temporary Order;

AND WHEREAS on March 2, 2007, the Commission ordered: (i) an extension of the Temporary Order to May 22, 2007; and (ii) an adjournment of the Hearing to May 22, 2007;

AND WHEREAS the First, Second, Third and Fourth Reports of the Receiver have been filed with the Commission;

AND WHEREAS on May 22, 2007, based on Staff's submissions, the panel expected that Staff would conclude their investigation, amend their Statement of Allegations, provide additional disclosure to the Respondents and have attended at a pre-hearing conference in order to set a date for a hearing on the merits, all by mid-July 2007;

AND WHEREAS on May 22, 2007, Staff of the Commission requested and the Commission ordered: (i) an adjournment of the Hearing to July 17, 2007; and (ii) an extension of the Temporary Order to July 17, 2007, **AND WHEREAS** counsel for Roy Brown did not consent and counsel for the Receiver did consent to the adjournment and extension of the Temporary Order;

AND WHEREAS Staff of the Commission provided 15 volumes of disclosure to counsel for Roy Brown on June 14 and 21, 2007 and the remaining 5 volumes of disclosure on July 9, 2007;

AND WHEREAS Staff of the Commission amended the Statement of Allegations on July 5, 2007;

AND WHEREAS a pre-hearing conference was held on July 20, 2007 and a second pre-hearing conference is scheduled for September 18, 2007;

AND WHEREAS on July 17, 2007, Staff of the Commission requested and counsel for the Receiver consented to and counsel to Roy Brown neither consented to nor opposed and the Commission ordered: (i) an adjournment of the Hearing to September 4, 2007; and (ii) an extension of the Temporary Order to September 4, 2007;

AND WHEREAS the parties were provided and agreed at the last pre-hearing conference to tentative hearing dates of April 7 to 11, 2008 and April 14 to 18, 2008;

AND WHEREAS the Staff of the Commission and counsel for the Receiver consent to the terms of this Order and counsel for Roy Brown neither consents to nor opposes the terms of this Order:

AND WHEREAS it is in the public interest to extend the Temporary Order to the conclusion of the Hearing;

IT IS ORDERED pursuant to subsection 127(7) of the Act that:

(a) the Hearing is scheduled to commence on April 7, 2008 and continue on April 8, 9, 10, 11 and 14, 16, 17 and 18, 2008; and

(b) the Temporary Order is extended until the conclusion of the Hearing.

DATED at Toronto this 4th day of September, 2007

"Robert L. Shirriff"

"Suresh Thakrar"

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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
Phoenix Capital Inc.	23 Aug 07	05 Sep 07	05 Sep 07	

4.2.1 Temporary, Permanent & Rescinding Management Cease Trading Orders

Company Name	Date of Order or Temporary Order	Date of Hearing	Date of Permanent Order	Date of Lapse/ Expire	Date of Issuer Temporary Order
TVI Pacific Inc.	17 Aug 07	30 Aug 07	30 Aug 07		
WEX Pharmaceuticals Inc.	21 Aug 07	31 Aug 07	31 Aug 07		

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
AldeaVision Solutions Inc.	03 May 07	16 May 07	16 May 07		
Argus Corporation Limited	25 May 04	03 Jun 04	03 Jun 04		
CoolBrands International Inc.	30 Nov 06	13 Dec 06	13 Dec 06		
Fareport Capital Inc.	13 Jul 07	26 Jul 07	26 Jul 07		
Hip Interactive Corp.	04 Jul 05	15 Jul 05	15 Jul 05		
HMZ Metals Inc.	03 Apr 06	14 Apr 06	17 Apr 06		
IMAX Corporation	03 Apr 07	16 Apr 07	16 Apr 07		
T S Telecom Ltd.	10 Aug 07	23 Aug 07		27 Aug 07	
TVI Pacific Inc.	17 Aug 07	30 Aug 07	30 Aug 07		
VVC Exploration Corporation	04 Jun 07	15 Jun 07	15 Jun 07		
WEX Pharmaceuticals Inc.	21 Aug 07	31 Aug 07	31 Aug 07		

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Chapter 5

Rules and Policies

5.1.1 Amendments to NI 55-101 Insider Reporting Exemptions

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 is amended

a. in paragraphs (a) and (b) of the definition of "*major subsidiary*" by deleting "*10*" and substituting "*20*";

b. in the definition of "*normal course issuer bid*" by deleting paragraph (b) and substituting the following:

(b) a normal course issuer bid as defined in the rules or policies of the Toronto Stock Exchange (TSX), the TSX Venture Exchange or an exchange that is a recognized exchange, as defined in National Instrument 21-101 – *Marketplace Operation*, that is conducted in accordance with the rules or policies of that exchange;

c. by adding the following after the definition of "*normal course issuer bid*":

"senior officer", in a jurisdiction whose legislation does not define that term, means an officer as defined in the legislation of that jurisdiction;

3. Sections 2.1, 2.2 and 2.3, are amended by striking out "*Subject to section 4.1, the*" at the beginning of each section and substituting "*The*".

4. Section 3.2 is amended by striking out "*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 notice 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 Instrument comes into force September 10, 2007.

5.1.2 NI 55-101 Insider Reporting Exemptions (blacklined)

[Blackline showing changes effective September 10, 2007 to NI 55-101]

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 rules or policies of ~~The Montreal~~the Toronto Stock Exchange (TSX), ~~The~~the TSX Venture Exchange or ~~The Toronto Stock Exchange,~~an exchange that is a recognized exchange, as defined in *National Instrument 21-101 – Marketplace Operation*, that is conducted in accordance with the rules or policies of that exchange;

"senior officer", in a jurisdiction whose legislation does not define that term, means an officer as defined in the legislation of that jurisdiction;

"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 September 10, 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 notice 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.

5.1.3 Companion Policy 55-101CP Insider Reporting Exemptions (blacklined)

[Blackline showing changes effective September 10, 2007 to 55-101CP]

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.

(3) 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 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. This type of list may allow reporting issuers to control the flow of undisclosed information. Before September 10, 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 in respect of the disposition, 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 that 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 notice 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.

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 45-501F1

Transaction Date	No of Purchasers	Issuer/Security	Total Purchase Price ($)	No of Securities Distributed
08/15/2007	44	Allen-Vanguard Corporation - Receipts	100,352,499.40	14,650,000.00
07/31/2007	1	Alliance Pacific Gold Corp. - Common Shares	500,000.00	1,250,000.00
08/01/2007	1	Alternative Asset Management Acquisition Corp. - Units	5,000,000.00	500,000.00
07/23/2007	1	APAX Europe VII - B, L.P. - Capital Commitment	57,764,000.00	N/A
08/23/2007	80	Athlone Global Security Inc. - Common Shares	40,589,996.00	13,865,000.00
07/25/2007	132	Azteca Gold Corp. - Receipts	8,905,264.40	22,263,161.00
08/09/2007	52	Base Resources Inc. - Common Shares	2,616,900.00	2,616,900.00
08/14/2007	9	Blind Creek Resources Ltd. - Special Warrants	200,000.00	400,000.00
08/01/2007	1	Brandimensions Inc. - Debentures	4,000,000.00	1.00
06/22/2007	1	Brandimensions Inc. - Preferred Shares	150,000.00	150,000.00
08/20/2007	1	BTI Photonics Systems Inc. - Notes	331,283.01	1.00
07/31/2007	2	Burlington Partners I LP. - Limited Partnership Units	600,000.00	600.00
08/16/2007	11	CareVest Blended Mortgage Investment Corporation - Preferred Shares	345,008.00	345,008.00
08/16/2007	25	CareVest First Mortgage Investment Corporation - Preferred Shares	1,679,195.00	1,679,195.00
08/21/2007	1	Cosan Limited - Common Shares	2,226,000.00	200,000.00
08/16/2007 to 08/20/2007	44	Daredevil Energy Ltd. - Common Shares	695,000.00	4,800,000.00
07/23/2007	1	Dyadem International Ltd. - Common Shares	8,200,000.00	37,383,247.00
08/09/2007	5	DynaMotive Energy Systems Corporation - Common Shares	2,694,069.00	N/A
08/08/2007	19	Exxel Energy Corp. - Units	14,254,200.00	9,502,800.00
08/13/2007	2	FirstGrowth Capital Inc. - Units	4,200,000.00	4,000,000.00
08/01/2007	3	Flatiron Market Neutral LP - Limited Partnership Units	2,950,000.00	2,632.96
08/01/2007	4	Flatiron Trust - Units	2,150,000.00	1,016.69
08/10/2007	1	Forent Energy LTD. - Flow-Through Shares	3,000,005.00	2,608,700.00

Transaction Date	No of Purchasers	Issuer/Security	Total Purchase Price ($)	No of Securities Distributed
08/10/2007	2	Forest Gate Resources Inc. - Units	396,000.00	3,300,000.00
08/07/2007 to 08/10/2007	31	General Motors Acceptance Corporation of Canada, Limited - Notes	11,561,614.50	11,561,614.50
08/07/2007 to 08/16/2007	6	Global Trader Europe Limited - Special Trust Securities	246,204.00	157,108.00
08/16/2007	36	Gold Hawk Resources Inc. - Common Shares	10,056,660.00	16,761,100.00
08/13/2007	26	Hy Lake Gold Inc. - Units	852,500.00	350,000.00
06/26/2007	1	Intergroup Financial Services Corp. - Common Shares	2,100,000.00	150,000.00
06/25/2007	3	KBSH Private - Canadian Equity Fund - Units	102,887.18	5,299.91
06/25/2007	3	KBSH Private - Global Value Fund - Units	169,673.92	16,360.42
06/25/2007	1	KBSH Private - International Fund - Units	7,380.23	603.40
06/25/2007	1	KBSH Private - U.S. Equity Fund - Units	7,380.23	524.58
06/25/2007	3	KBSH Private North American Special Equity Fund - Units	26,321.48	932.06
08/13/2007	1	Kraft Foods Inc. - Notes	13,728,428.89	N/A
08/14/2007	7	Landwirtschaftliche Renenbank - Notes	300,000,000.00	1.00
08/02/2007	51	Lignol Energy Corporation - Common Shares	14,375,000.00	11,500,000.00
07/30/2007	2	Man AP Spectrum Index Certificates - Bonds	373,388.30	255,000.00
08/15/2007	4	Marengo Mining Limited - Common Shares	4,888,888.64	15,277,777.00
08/10/2007	1	MDV IX, L.P. - Limited Partnership Interest	12,500,000.00	1.00
08/14/2007	1	Mesirow Financial Private Equity Partnership Fund IV, L.P. - Limited Partnership Interest	26,480,000.00	1.00
08/15/2007	50	MineralFields 2007-II Super Flow-Through Limited Partnership - Units	1,655,000.00	16,550.00
08/15/2007	247	MineralFields 2007 Super Flow-Through Limited Partnership - Units	9,369,000.00	93,690.00
08/16/2007	5	Mitel Networks Corporation - Preferred Shares	296,445,442.50	275,635.00
08/10/2007	55	Namex Explorations Inc. - Common Shares	1,058,650.00	N/A
08/09/2007	50	Nordic Diamonds Ltd. - Units	880,000.00	4,250,000.00
08/15/2007	14	PCC Communications Inc. - Common Shares	6,860,000.00	1,535,000.00
07/10/2007	10	Pearl Exploration and Production Ltd. - Common Shares	60,600,000.00	12,000,000.00
08/14/2007	30	Phoscan Chemical Corp. - Common Shares	15,939,000.00	17,710,000.00
08/08/2007 to 08/10/2007	33	Platinex Inc. - Units	1,692,800.00	2,142,668.00

Transaction Date	No of Purchasers	Issuer/Security	Total Purchase Price ($)	No of Securities Distributed
08/10/2007	38	Plazacorp Partners III Fund - Trust Units	8,308,100.00	83,081.00
07/30/2007	74	Prestige Telecom Inc. - Units	4,420,000.00	8,840,000.00
08/20/2007	36	Prima Developments Ltd. - Units	459,600.00	3,064,000.00
08/07/2007	2	Rainy River Resources Ltd. - Common Shares	89,250.00	17,500.00
08/10/2007	16	Rhone 2007 Oil & Gas Strategic Limited Partnership - Limited Partnership Units	1,105,000.00	44,200.00
08/15/2007	1	Schering-Plough Corporation - Common Shares	8,654,400.00	32,000.00
04/19/2007	1	Seaspan Corporation - Common Shares	7,362,500.00	250,000.00
08/15/2007	8	Semcan Inc. - Units	2,071,350.00	2,301,500.00
08/15/2007	1	Silvermet Inc. - Units	150,000.00	375,000.00
08/02/2007	37	Spitfire Energy Ltd. - Common Shares	3,289,199.64	548,200.00
07/29/2007	5	SR Telecom Inc. - Loans	-1.00	1.00
08/17/2007	3	Talware Networx Inc. - Receipts	48,000.00	320,000.00
07/02/2007	1	Tennenbaum Opportunities Fund V, LLC - N/A	75,000,000.00	N/A
08/14/2007	2	TenXc Wireless Inc. - Debentures	1,907,717.19	2.00
08/14/2007	3	TenXc Wireless (Delaware) Inc. - Debentures	1,334,199.70	1.00
08/15/2007	19	Theralase Technologies Inc. - Units	698,500.00	1,700,000.00
08/03/2007	365	Tricentre Acquisitions Limited Partnership - Units	19,250,000.00	770.00
04/24/2007	1	Victory Acquisition Corp. - Units	30,000.00	300,000.00
08/16/2007	18	Walton AZ Sunland Ranch 2 Investment Corporation - Common Shares	475,970.00	47,597.00
08/16/2007	4	Walton AZ Sunland Ranch Limited Partnership 2 - Limited Partnership Units	1,001,342.16	92,820.00
08/16/2007	30	Walton TX Wagner Fields Limited Partnership - Units	451,963.26	41,895.00
08/09/2007	76	West Timmins Mining Inc. - Units	13,000,000.80	10,833,334.00
08/17/2007	2	Windsor Auto Trust - Notes	48,042,320.02	N/A
08/21/2007	5	XGEN Ventures Inc. - Units	287,671.90	1,917,813.00

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Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
Allen-Vanguard Corporation
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated August 31, 2007
Mutual Reliance Review System Receipt dated August 31, 2007
Offering Price and Description:
$ * - * Common Shares Price: $ * per Common Share
Underwriter(s) or Distributor(s):
Genuity Capital Markets
Paradigm Capital Inc.
Versant Partners Inc.
Canaccord Capital Corporation
Promoter(s):
-
Project #1154515

Issuer Name:
Amicus Capital Corp.
Principal Regulator - British Columbia
Type and Date:
Preliminary CPC Prospectus dated August 29, 2007
Mutual Reliance Review System Receipt dated August 31, 2007
Offering Price and Description:
$500,000.00 - 5,000,000 Common Shares Price: $0.10 per Common Share
Underwriter(s) or Distributor(s):
Blackmont Capital Inc.
Promoter(s):
Thomas Lamb
Project #1153477

Issuer Name:
Brompton 2007 Flow-Through LP
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated August 28, 2007
Mutual Reliance Review System Receipt dated August 29, 2007
Offering Price and Description:
$30,000,000.00 (MAXIMUM OFFERING) - 1,200,000 LIMITED PARTNERSHIP UNITS ISSUE PRICE: $25.00 Per Unit MINIMUM PURCHASE: 200 Units
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Scotia Capital Inc.
TD Securities Inc.
Canaccord Capital Corporation
Dundee Securities Corporation
HSBC Securities (Canada) Inc.
Raymond James Ltd.
Berkshire Securities Inc.
Blackmont Capital Inc.
Desjardins Securities Inc.
Research Capital Corporation
Wellington West Capital Inc.
IPC Securities Corporation
Richardson Partners Financial Limited
Promoter(s):
Brompton Flow-Through Management Limited
Brompton Funds Management Limited
Project #1150442

Issuer Name:
Chesstown Capital Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary CPC Prospectus dated August 30, 2007
Mutual Reliance Review System Receipt dated August 31, 2007
Offering Price and Description:
(1) Minimum Offering: $400,000.00 or 2,000,000 common shares Maximum Offering: $600,000 or 3,000,000 common shares Price: $0.20 per Common Share; (2) Broker Warrants to acquire: 200,000 Common Shares assuming the Minimum Offering is sold or 300,000 Common Shares assuming the Maximum Offering is sold, at a price of $0.20 per Common Share; (3) Incentive Stock Options to acquire: 403,000 Common Shares assuming the Minimum Offering is sold or 503,000 Common Shares assuming the Maximum Offering is sold, at a price of $0.20 per Common Share
Underwriter(s) or Distributor(s):
Haywood Securities Inc.
Promoter(s):
-
Project #1154596

Issuer Name:
Dynacor Gold Mines Inc.
Principal Regulator - Quebec
Type and Date:
Preliminary Prospectus dated August 30, 2007
Mutual Reliance Review System Receipt dated September 4, 2007
Offering Price and Description:
$4,000,000.00 - 8,800,000 Common Shares and 4,400,000 Common Share Purchase Warrants Issuable on Exercise or Deemed Exercise of 8,000,000 Previously Issued Special Warrants
Underwriter(s) or Distributor(s):
D&D Securities Company
Laurentian Bank Securities Inc.
Promoter(s):
Jean Martineau
Project #1144115

Issuer Name:
GENIVAR Income Fund
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Prospectus dated August 29, 2007
Mutual Reliance Review System Receipt dated August 29, 2007
Offering Price and Description:
$39,000,000.00 - 1,902,439 Units Price: $20.50 per Unit
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
Raymond James Ltd.
TD Securities Inc.
BMO Nesbitt Burns Inc.
Cormark Securities Inc.
Promoter(s):
-
Project #1151694

Issuer Name:
Mavrix Asia Pacific Fund
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated August 28, 2007
Mutual Reliance Review System Receipt dated August 31, 2007
Offering Price and Description:
Class A and F Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
Mavrix Fund Management Inc.
Project #1153779

Issuer Name:
Mavrix Explore 2007 - II FT Limited Partnership
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated August 30, 2007
Mutual Reliance Review System Receipt dated August 31, 2007
Offering Price and Description:
Maximum offering: $50,000,000.00 (5,000,000 Units); Minimum offering: $5,000,000.00 (500,000 Units) Minimum Subscription: 500 Units - Subscription Price: $10.00 per Unit
Underwriter(s) or Distributor(s):
Dundee Securities Corporation
CIBC World Markets Inc.
RBC Capital Markets Inc.
TD Securities Inc.
Canaccord Capital Corporation
Scotia Capital Inc.
Blackmont Capital Inc.
Raymond James Ltd.
Wellington West Capital Inc.
Berkshire Securities Inc.
GMP Securities L.P.
IPC Securities Corporation
Bieber Securities Inc.
Desjardins Securities Inc.
MGI Securities Inc.
Argosy Securities Inc.
Industrial Alliance Securities Inc.
Laurentian Bank Securities Inc.
Promoter(s):
Mavrix Explore 2007 - II FT Management Limited
Mavrix Fund Management Inc.
Project #1154440

Issuer Name:
Merrill Lynch Financial Assets Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form PREP Prospectus dated August 29, 2007
Mutual Reliance Review System Receipt dated August 30, 2007
Offering Price and Description:
$407,757,000.00 (Approximate) Commercial Mortgage Pass-Through Certificates, Series 2007-Canada 23
Underwriter(s) or Distributor(s):
Merrill Lynch Canada Inc.
Promoter(s):
-
Project #1153328

Issuer Name:
Pacific Kanon Gold Corp.
Principal Regulator - British Columbia
Type and Date:
Preliminary Prospectus dated August 29, 2007
Mutual Reliance Review System Receipt dated September 4, 2007
Offering Price and Description:
$7,000,000.00 - $10,000,000 - 25,000,000 Units Price: $0.40 per Unit
Underwriter(s) or Distributor(s):
Bolder Investment Partners, Ltd.
Promoter(s):
-
Project #1154661

Issuer Name:
Pathway Quebec Mining 2007 Flow-Through Limited Partnership
Principal Regulator - Ontario
Type and Date:
Preliminary Prospectus dated August 29, 2007
Mutual Reliance Review System Receipt dated August 30, 2007
Offering Price and Description:
$10,000,000.00 (Maximum Offering) - $2,500,000.00 (Minimum Offering) A Maximum of 1,000,000 and a Minimum of 250,000 Limited Partnership Units Minimum Subscription: 250 Units Subscription Price: $10.00 per Unit
Underwriter(s) or Distributor(s):
Wellington West Capital Inc.
HSBC Securities (Canada) Inc.
Desjardins Securities Inc.
Canaccord Capital Corporation
Research Capital Corporation
Integral Wealth Securities Limited
Industrial Alliance Securities Inc.
Laurentian Bank Securities Inc.
Promoter(s):
Pathway Quebec Mining 2007 Inc.
Project #1154011

Issuer Name:
Royal Bank of Canada
Principal Regulator - Quebec
Type and Date:
Preliminary Short Form Shelf Prospectus dated August 31, 2007
Mutual Reliance Review System Receipt dated August 31, 2007
Offering Price and Description:
$7,000,000,000.00 - Debt Securities (Subordinated Indebtedness) First Preferred Shares
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1154475

Issuer Name:
Sarbit Canadian Equity Trust
Principal Regulator - Manitoba
Type and Date:
Amended and Restated Preliminary Simplified Prospectus dated August 27, 2007
Mutual Reliance Review System Receipt dated August 31, 2007
Offering Price and Description:
CLASS T4 UNITS, CLASS T6 UNITS, CLASS T8 UNITS, CLASS F4 UNITS, CLASS F6 UNITS AND CLASS F8 Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
Sarbit Asset Management Inc.
Project #1134759

Issuer Name:
SEAMARK Canadian Equity Fund
SEAMARK Dividend & Income Fund
SEAMARK North American Equity Fund
Principal Regulator - Nova Scotia
Type and Date:
Preliminary Simplified Prospectuses dated August 29, 2007
Mutual Reliance Review System Receipt dated August 30, 2007
Offering Price and Description:
Series A, B, F and G Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
SEAMARK Asset Management Ltd.
Project #1152579

Issuer Name:
StorageVault Canada Inc.
Principal Regulator - Saskatchewan
Type and Date:
Preliminary CPC Prospectus dated August 27, 2007
Mutual Reliance Review System Receipt dated August 30, 2007
Offering Price and Description:
$1,000,000.00 - 5,000,000 Common Shares Price: $0.20 per Common Share
Underwriter(s) or Distributor(s):
Union Securities Ltd.
Promoter(s):
Alan Simpson
Glenn Fradette
Project #1149816

Issuer Name:
Winstar Resources Ltd.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated August 29, 2007
Mutual Reliance Review System Receipt dated August 29, 2007
Offering Price and Description:
$20,00,000,800.00 - 4,348,000 Common Shares Price: $4.60 per Common Share
Underwriter(s) or Distributor(s):
Research Capital Corporation
Jennings Capital Inc.
FirstEnergy Capital Corp.
Promoter(s):
-
Project #1152199

Issuer Name:
Berkeley Capital Corp. I
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated August 31, 2007
Mutual Reliance Review System Receipt dated September 4, 2007
Offering Price and Description:
$400,000.00 - 4,000,000 Common Shares PRICE: $0.10 per Common Share
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Promoter(s):
Brian Scheschuk
Simon Lockie
John Drake
Project #1133040

Issuer Name:
Berkeley Capital Corp. II
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated August 31, 2007
Mutual Reliance Review System Receipt dated September 4, 2007
Offering Price and Description:
$500,000.00 - 5,000,000 Common Shares PRICE: $0.10 per Common Share
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Promoter(s):
Anthony Lacavera
Michael R. Drake
Kevin K. Rooney
Project #1136730

Issuer Name:
CIBC Canadian T-Bill Fund
CIBC Premium Canadian T-Bill Fund
CIBC Money Market Fund (Class A and Premium Class Units)
CIBC U.S. Dollar Money Market Fund (Class A and Premium Class Units)
CIBC High Yield Cash Fund
CIBC Mortgage and Short -Term Income Fund
CIBC Canadian Bond Fund (Class A and Premium Class Units)
CIBC Monthly Income Fund
CIBC Global Bond Fund
CIBC Global Monthly Income Fund
CIBC Balanced Fund
CIBC Diversified Income Fund
CIBC Dividend Fund
CIBC Canadian Equity Fund
CIBC Canadian Equity Value Fund
CIBC Capital Appreciation Fund
CIBC Canadian Small Companies Fund
CIBC Canadian Emerging Companies Fund
CIBC Disciplined U.S. Equity Fund
CIBC U.S. Small Companies Fund
CIBC Global Equity Fund
CIBC Disciplined International Equity Fund
CIBC European Equity Fund
CIBC Japanese Equity Fund
CIBC Emerging Economies Fund
CIBC Far East Prosperity Fund
CIBC Latin American Fund
CIBC International Small Companies Fund
CIBC Financial Companies Fund
CIBC Canadian Resources Fund
CIBC Energy Fund
CIBC Canadian Real Estate Fund
CIBC Precious Metals Fund
CIBC North American Demographics Fund
CIBC Global Technology Fund
CIBC Canadian Short-Term Bond Index Fund
CIBC Canadian Bond Index Fund
CIBC Global Bond Index Fund
CIBC Balanced Index Fund
CIBC Canadian Index Fund
CIBC U.S. Equity Index Fund
CIBC U.S. Index RRSP Fund
CIBC International Index Fund
CIBC International Index RRSP Fund
CIBC European Index Fund
CIBC European Index RRSP Fund
CIBC Japanese Index RRSP Fund
CIBC Emerging Markets Index Fund
CIBC Asia Pacific Index Fund
CIBC Nasdaq Index Fund
CIBC Nasdaq Index RRSP Fund
CIBC Managed Income Portfolio
CIBC Managed Income Plus Portfolio
CIBC Managed Balanced Portfolio
CIBC Managed Monthly Income Balanced Portfolio
CIBC Managed Balanced Growth Portfolio
CIBC Managed Balanced Growth RRSP Portfolio
CIBC Managed Growth Portfolio
CIBC Managed Growth RRSP Portfolio
CIBC Managed Aggressive Growth Portfolio
CIBC Managed Aggressive Growth RRSP Portfolio
CIBC U.S. Dollar Managed Income Portfolio
CIBC U.S. Dollar Managed Balanced Portfolio
CIBC U.S. Dollar Managed Growth Portfolio
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated August 22, 2007
Mutual Reliance Review System Receipt dated August 29, 2007
Offering Price and Description:
Mutual Fund Units, Class A and Premium Class Units @ Net Asset Value
Underwriter(s) or Distributor(s):
CIBC Securities Inc.
Promoter(s):
Canadian Imperial Bank of Commerce
Project #1122635

Issuer Name:
GGOF 2007 Mining Flow-Through Limited Partnership
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated August 30, 2007
Mutual Reliance Review System Receipt dated August 31, 2007
Offering Price and Description:
Maximum: $20,000,000.00 (800,000 Units) @ $25.00 per Unit
Minimum: $10,000,000.00 (400,000 Units) @ $25.00 per Unit
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
CIBC World Markets Inc.
National Bank Financial Inc.
Scotia Capital Inc.
TD Securities Inc.
Canaccord Capital Corporation
Dundee Securities Corporation
HSBC Securities (Canada) Inc.
Richardson Partners Financial Limited
Blackmont Capital Inc.
Desjardins Securities Inc.
Raymond James Ltd.
GMP Securities L.P.
Berkshire Securities Inc.
Promoter(s):
GGOF 2007 Mining Flow-Through Corporation
Guardian Group of Funds Ltd.
Project #1134801

Issuer Name:
GTA CorpFin Capital Inc.
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated August 30, 2007
Mutual Reliance Review System Receipt dated August 31, 2007
Offering Price and Description:
$500,000.00 - 2,500,000 Common Shares at a price of $0.20 per Common Share
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Promoter(s):
Peter M. Clausi
Brian Crawford
Project #1117886

Issuer Name:
Horizons Mondiale Fund
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated August 24, 2007
Mutual Reliance Review System Receipt dated August 29, 2007
Offering Price and Description:
Series A Units and Series F Units @ Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
Horizons Funds Inc.
Project #1129605

Issuer Name:
Panda Capital Inc.
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated August 29, 2007
Mutual Reliance Review System Receipt dated August 31, 2007
Offering Price and Description:
$400,000.00 or 2,000,000 Common Shares PRICE: $0.20 per Common Share
Underwriter(s) or Distributor(s):
Investpro Securities Inc.
Promoter(s):
Paul Barbeau
Project #1132080

Issuer Name:
Portage Minerals Inc.
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated August 29, 2007
Mutual Reliance Review System Receipt dated August 30, 2007
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
Peter Taylor
George Cole
Project #1097941

Issuer Name:
Rebecca Capital Inc.
Principal Regulator - Ontario
Type and Date:
Final Prospectus dated August 30, 2007
Mutual Reliance Review System Receipt dated August 31, 2007
Offering Price and Description:
Minimum Offering: $600,000.00 or 3,000,000 Common Shares; Maximum Offering: $1,000,000.00 or 5,000,000 Common Shares Price: $0.20 per Common Share
Underwriter(s) or Distributor(s):
Canaccord Capital Corporation
Promoter(s):
David Beutel
Project #1136839

Issuer Name:
TELUS Corporation
Principal Regulator - British Columbia
Type and Date:
Final Short Form Shelf Prospectus dated August 30, 2007
Mutual Reliance Review System Receipt dated August 30, 2007
Offering Price and Description:
$3,000,000,000.00
Debt Securities
Preferred Shares
Non-Voting Shares
Common Shares
Warrants to Purchase Equity Securities
Warrants to Purchase Debt Securities
Share Purchase Contracts
Share Purchase or Equity Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1136794

Issuer Name:
VentureLink Brighter Future Fund Inc.
Type and Date:
Final Prospectus dated August 24, 2007
Receipted on August 30, 2007
Offering Price and Description:
Class A Shares, Series III, Class A Shares, Series IV and Class A Shares, Series VI @ Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
VentureLink LP
CFPA Sponsor Inc.
Project #1131518

Issuer Name:
VentureLink Diversified Income Fund Inc.
Type and Date:
Final Prospectus dated August 24, 2007
Receipted on August 30, 2007
Offering Price and Description:
Class A Shares, Series III, Class A Shares, Series IV and Class A Shares, Series VI @ Net Asset Value
Underwriter(s) or Distributor(s):
VL Advisors Inc.
Promoter(s):
CFPA Sponsor Inc.
VentureLink LP
Project #1131520

Issuer Name:
VentureLink Financial Services Innovation Fund Inc.
Type and Date:
Final Prospectus dated August 24, 2007
Receipted on August 30, 2007
Offering Price and Description:
Class A Shares, Series III and Class A Shares, Series IV @ Net Asset Value
Underwriter(s) or Distributor(s):
-
Promoter(s):
CFPA Sponsor Inc.
VentureLink LP
Project #1131525

Issuer Name:
Supratek Pharma Inc.
Principal Regulator – Quebec
Type and Date:
Final Prospectus dated May 18, 2007
Withdrawn on August 21, 2007
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1105453

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Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
New Registration	Dowling & Partners Securities, LLC	International Dealer	September 4, 2007
New Registration	Equity Securities Inc.	Limited Market Dealer	September 4, 2007

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Chapter 13

SRO Notices and Disciplinary Proceedings

13.1.1 MFDA Housekeeping Amendments to Form 1 – Financial Questionnaire and Report

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

HOUSEKEEPING AMENDMENTS TO FORM 1 – FINANCIAL QUESTIONNAIRE AND REPORT

I. PART II – AUDITORS' REPORT

Current Provisions

In accordance with MFDA Rule 3.5.1(b), Members are required to submit audited financial statements to the MFDA on an annual basis in a prescribed form. Currently, the prescribed form includes a standard Part II Auditors' Report in a version dated December 1, 2006.

Reasons for Amendments

In September 2003 the Canadian Institute of Chartered Accountants ("CICA") issued a new Handbook section, "Section 5600 Auditors Report on Financial Statements Prepared Using a Basis of Accounting Other than Generally Accepted Accounting Principles". Auditor Reports dated on or after October 1, 2003 are required to comply with the standards outlined in Section 5600.

Section 5600 requires auditors engaged to report on financial statements prepared using a basis of accounting other than generally accepted accounting principles ("GAAP") to modify their standard Auditor's Report to disclose this fact to the financial statement users. This Section applies when the financial statements are prepared in accordance with regulatory or legislative requirements to meet the specific needs of a regulator or a legislator (s. 5600.04(a)). Consequently, the MFDA's Part II Auditors' Report must be amended to reflect the requirements of this Handbook section. Auditors complying with Generally Accepted Auditing Standards ("GAAS") will not be able to sign off on the MFDA's Part II Auditors' Report that is currently in place. The proposed amendment seeks to ensure that the Part II Auditors' Report is consistent with the changes made to the Part I Auditors' Report.

Description of Amendments

The Part II Auditors' Report has been amended to incorporate the required changes to comply with Section 5600 of the CICA Handbook. In summary, the amendments to the Part II Auditors' Report are as follows:

- Adding a sentence to state that the Auditors have audited Part I of the MFDA Financial Questionnaire and Report ("Part I – FQR"). By adding this sentence, the Part II report establishes the basis of accounting which is referenced in the Part I report.

- Adding a sentence to clearly state that no additional procedures have been completed by the auditor other than those necessary to form an opinion on the Statements referenced in the Part I report.

- Deleting all reference to questions 2 through 7 on the Certificate of Partners or Directors ("PDO certificate"). The proposed amendments to the Part II Auditors' Report removes all references to the PDO certificate since it has been concluded that the reference no longer applies or alternatively, the auditor has performed sufficient work to provide appropriate audit evidence to the MFDA.

- A statement has been added indicating that the additional information set out in Part II was not intended to be prepared in accordance with Canadian generally accepted accounting principles, and that it is not intended to be, and should not be, used by anyone other than the specified users or for any other purpose.

The amendments are housekeeping in nature in that they reflect changes in administrative practices that are consistent with industry standards and do not impose any significant barrier or any burden to competition that is not appropriate.

Comparison with Similar Provisions

The proposed amendments to the MFDA Part II Auditors' Report are consistent with amendments recently made and approved by the Investment Dealers Association of Canada ("IDA") to address the CICA Handbook changes.

II. STATEMENT D – SUMMARY STATEMENT OF INCOME – "REFERRAL FEES"

Current Provisions

In accordance with MFDA Rule 3.5.1(a), Members are required on a monthly basis to file with the MFDA a financial report of the Member as at the end of each fiscal month in the prescribed form. Currently, the prescribed form requires Members to report income from referral fees under "Other Income".

Reason for Amendments

The rationale for requiring separate disclosure of referral fee revenue is to enhance oversight of Member referral activities, which have become of greater regulatory concern. Furthermore, separate disclosure of referral fee revenue provides the MFDA with meaningful information with respect to business relationships Members have with other entities.

Description of Amendments

A line has been added to Statement D of the FQR that will require Members to separately disclose revenue earned from "referral fees". As a result of adding this line to Statement D, other amendments to the FQR are required. These amendments, which are composed of additional note disclosure and cross-referencing, are considered housekeeping in nature and are summarized below.

	REFERENCE	CHANGE REQUIRED	RATIONALE
1.	STATEMENT C (NOTES AND INSTRUCTIONS)	**LINE 2 – CHANGE REFERENCE TO STATEMENT D, LINE 20.**	**UPDATE CROSS-REFERENCE**
2.	STATEMENT D	**LINE 12 – ADD "REFERRAL FEES"** **RENUMBER LINES AND LINE REFERENCES ACCORDINGLY.**	**ENHANCED DISCLOSURE OF REFERRAL FEE REVENUE.**
3.	STATEMENT D (NOTES AND INSTRUCTIONS)	**ADD THE FOLLOWING NOTE:** **"12 INCLUDES ALL FEES EARNED AS A RESULT OF REFERRING CLIENTS TO ANOTHER ENTITY FOR PRODUCTS OR SERVICES."** **AMEND LINE NUMBERING AND REFERENCES ACCORDINGLY.**	**ENHANCED DISCLOSURE OF REFERRAL FEE REVENUE.**
4.	STATEMENT E	**LINE C(2)(A) – CHANGE REFERENCE TO D-24** **LINE C(2)(B) – CHANGE REFERENCE TO D-25** **LINE C(2)(C) – CHANGE REFERENCE TO D-26**	**UPDATE CROSS-REFERENCE**
5.	SCHEDULE 3	**LINE A(5) – CHANGE REFERENCE TO D-22(A)**	**UPDATE CROSS-REFERENCE**

The amendments are housekeeping in nature in that they reflect changes in administrative practices of the MFDA and do not impose any significant barrier or any burden to competition that is not appropriate.

Comparison with Similar Provisions

The IDA does not currently require its Members to separately disclose referral fee revenue on the Summary Statement of Income. However, MFDA staff note some significant differences between investment dealers and mutual fund dealers such as the scope of permitted activities and extent of principal/agent relationships. Referral fee revenue is generally much more significant for mutual fund dealers.

III. EFFECTIVE DATE

The proposed amendments will be effective on a date to be subsequently determined by the MFDA.

MUTUAL FUND DEALERS ASSOCIATION OF CANADA

FORM 1 - FINANCIAL QUESTIONNAIRE AND REPORT

On June 15, 2007, the Board of Directors of the Mutual Fund Dealers Association of Canada made and enacted the following amendments to MFDA Form 1 – Financial Questionnaire and Report:

STATEMENT C
NOTES AND INSTRUCTIONS

1. The objective of the various Early Warning Tests is to measure characteristics likely to identify a firm heading into financial trouble and to impose restrictions and sanctions to reduce further financial deterioration and prevent a subsequent capital deficiency. “Yes” answers indicate Early Warning has been triggered.

   If the firm is currently capital deficient (i.e. risk adjusted capital is negative), only Part A of the early warning tests need be completed.

2. The profit or loss figures to be used are before bonuses, income taxes and extraordinary items [Statement D, line 20~~19~~]. Note that the “current quarter” figure must also reflect any audit adjustments made subsequent to the filing of the Quarterly Financial Report.

3. If the current quarter is profitable, enter a "No" answer for Part C.

STATEMENT D

PART I
MFDA FINANCIAL QUESTIONNAIRE AND REPORT

_____
(Firm Name)

SUMMARY STATEMENT OF INCOME FOR THE PERIOD ENDED _____
[with comparative figures for the year /month ended _____]

1. Number of salespersons……._ _ _ _ _ _ _ _

2. Assets Under Administration at statement date…._ _ _ _ _ _ _ _ _

		CURRENT YR/MO	PREVIOUS YR/MO
COMMISSION REVENUE			
3.	Mutual funds……	_ _ _ _ _ _ _	_ _ _ _ _ _ _
4.	Segregated Funds……	_ _ _ _ _ _ _	_ _ _ _ _ _ _
5.	Deposit Instruments……..	_ _ _ _ _ _ _	_ _ _ _ _ _ _
6.	Limited Partnerships……	_ _ _ _ _ _ _	_ _ _ _ _ _ _
7.	Other securities (provide details)……	_ _ _ _ _ _ _	_ _ _ _ _ _ _
8.	Insurance……	_ _ _ _ _ _ _	_ _ _ _ _ _ _
OTHER REVENUE			
9.	Interest……	_ _ _ _ _ _ _	_ _ _ _ _ _ _
10.	Fees from clients……..	_ _ _ _ _ _ _	_ _ _ _ _ _ _
11.	Management fees……	_ _ _ _ _ _ _	_ _ _ _ _ _ _
12.	Referral fees……	_ _ _ _ _ _ _	_ _ _ _ _ _ _
123.	Other (provide details)……	_ _ _ _ _ _ _	_ _ _ _ _ _ _
134.	TOTAL REVENUE……...	_____	_____
EXPENSES			
145.	Variable compensation……..……	_ _ _ _ _ _ _	_ _ _ _ _ _ _
156.	Interest on subordinated debt……	_ _ _ _ _ _ _	_ _ _ _ _ _
167.-	Realized/unrealized (gain) loss on marketable securities……	_ _ _ _ _ _ _	_ _ _ _ _ _
178.	Unusual items *[attach details*……	_ _ _ _ _ _ _	_ _ _ _ _ _ _
189.	Operating expenses other than lines 20 to 22……..	_ _ _ _ _ _ _	_ _ _ _ _ _
1920.	Income [loss] before lines 20 to 22……..	_____	_____
201.	Bonuses……	_ _ _ _ _ _ _	_ _ _ _ _ _ _
212. S-3(5)	Provision for (recovery of) income taxes (a) current……..	_ _ _ _ _ _ _	_ _ _ _ _ _ _

	(b) future……	_ _ _ _ _ _ _	_ _ _ _ _ _ _ _
22~~3~~.	Extraordinary items *[attach details]*……	_ _ _ _ _ _ _	_ _ _ _ _ _ _ _
23~~4~~.	NET INCOME [LOSS] FOR PERIOD……	$==========	$==========
24~~5~~.	Dividends paid or partners drawings……..	_ _ _ _ _ _ _	_ _ _ _ _ _ _ _
25~~6~~.	Other *[attach details]*……	_ _ _ _ _ _ _	_ _ _ _ _ _ _ _
26~~7~~.	NET CHANGE TO RETAINED EARNINGS *[lines 23 to 25]*……..	$==========	$==========

STATEMENT D — NOTES AND INSTRUCTIONS

A comparative statement of income prepared in accordance with generally accepted accounting principles and containing at least the information shown in the pre-printed Statement D may be substituted. It should be affixed to the statement provided.
It is recognized that the components of the revenue and expense classification on this statement may vary between firms. However, it is important that each firm be consistent between periods. Fair presentation may require the separate disclosure of additional large and/or unusual items by way of a note to this statement.

Lines

2 Assets under Administration means the market value of all mutual funds reflected in the client accounts (nominee and client name) of a Member in all provinces of Canada, excluding Quebec.

3-7 All **Commission Revenue** should be reported net of payouts to carrying dealers. Commission paid to salespersons should be shown on line 14~~5~~.

3 Includes all gross commissions and trailer fees earned on mutual fund transactions, net of any payouts to the mutual funds.

10 Includes any charges to clients that are not related to commissions.

11 Includes fund management fees and other consulting fees not charged to clients.

12 Includes all fees or compensation earned as a result of referring clients to another entity.

12~~3~~ Includes foreign exchange profits/losses and all other revenue not reported above.

14~~5~~ This category should include commissions, bonuses and other variable compensation of a contractual nature. Examples would encompass commission payouts to salespersons. Discretionary bonuses should be included on line 20~~1~~. All contractual bonuses should be accrued monthly and included on line 14~~5~~.

15~~6~~ Includes all interest on subordinated debt.

16~~7~~ Includes trading profits/losses from principal trading activities and adjustment of marketable securities to market value.

17~~8~~ Unusual items are items that have some but not all of the characteristics of extraordinary items *[line 22~~3~~]*. An example of an unusual item may include costs associated with a branch closure.

18~~9~~ Includes all operating expenses except those mentioned elsewhere: Variable compensation *[line 14~~5~~]*, discretionary bonuses *[line 20~~1~~]*.

20~~1~~ This category should include discretionary bonuses and all bonuses to shareholders in accordance with share ownership. However, please read the instructions for line 14~~5~~ before completing.

21~~2~~ Includes ONLY income taxes. Realty and capital taxes should be included in line 18~~9~~. Taxes at 33-1/3% on partnership profits should be disclosed on this line. The current provision should be net of loss carryforwards, the details of which should be disclosed on Schedule 3.

22~~3~~ Extraordinary items have the following characteristics:

(a) they are not expected to occur frequently over several years;

(b) they do not typify normal business activities; and

(c) they do not depend primarily on decisions or determinations by management.

They should be reported net of tax. An example of an extraordinary item would include the destruction of a company's uninsured art collection by fire.

25~~6~~ Includes only direct charges or credits to retained earnings that are capital transactions (e.g. premium on share redemptions), income of a subsidiary accounted for by the equity method and prior period adjustments. Any adjustment(s) required to reconcile retained earnings on the Monthly Financial Report to the MFDA Financial Questionnaire and Report should be posted to the individual Statement E line items on the first Monthly Financial Report that is filed after the adjustment(s) is known.

STATEMENT E

PART I
MFDA FINANCIAL QUESTIONNAIRE AND REPORT

_____
(Firm Name)

STATEMENT OF CHANGES IN CAPITAL AND RETAINED EARNINGS (CORPORATIONS) OR UNDIVIDED PROFITS (PARTNERSHIPS) FOR THE YEAR ENDED _____

REFERENCE			CURRENT YEAR
A.	**CHANGES IN CAPITAL**		
	1.	Balance at last year-end……	$_ _ _ _ _ _ _ _
	2.	Increases (Decreases) during period *[provide details]*	
		(a)……	_ _ _ _ _ _ _ _
		(b)……	_ _ _ _ _ _ _ _
		(c)……	_ _ _ _ _ _ _ _
	3.	Present capital……	$==========
			A-38
B.	**ANALYSIS OF PRESENT CAPITAL** *[see note 1]*		
	1.	(a)……	$ _ _ _ _ _ _ _
		(b)……	_ _ _ _ _ _ _ _
		(c)……	_ _ _ _ _ _ _ _
		To agree with line A-3 above……...	$==========
C.	**RETAINED EARNINGS [CORPORATIONS] OR UNDIVIDED PROFITS [PARTNERSHIPS]**		
	1.	Retained earnings or undivided profits, at last year-end……...	$ _ _ _ _ _ _ _
	2.	Increases (Decreases) during period *[see note 2]*:	
D-2~~3~~4	(a)	Net income (loss) for the period……	_ _ _ _ _ _ _ _
D-24~~5~~	(b)	Dividends paid or partners drawings……	_ _ _ _ _ _ _ _
D-25~~6~~	(c)	Other *[provide details]*……..	_ _ _ _ _ _ _ _
		……	_ _ _ _ _ _ _ _
		……	_ _ _ _ _ _ _ _
		……	_____
	3.	Present retained earnings or undivided profits……...	$==========
			A-39

NOTES:

1. **Part B -** Disclosure should be made of authorized and issued share capital in accordance with generally accepted accounting principles.
2. **Line C-2** - Direct charges or credits to retained earnings are to be restricted to capital transactions (e.g. dividends, premium on share redemptions, etc.) and prior period adjustments. All income items of an extraordinary or unusual nature (e.g. profits or losses on sale of fixed assets etc.) are to be included in Statement D in arriving at net income or loss for the period. The latter amount is to be transferred in total to retained earnings [Statement E-line C-2(a)].

STATEMENT F

MFDA FINANCIAL QUESTIONNAIRE AND REPORT
PART II - AUDITORS' REPORT

TO: The MFDA and the MFDA Investor Protection Corporation

~~.~~We have audited Part I of the MFDA Financial Questionnaire and Report ("Part I – FQR") of _____ as at _____ and for
(firm) *(date)*
the year then ended, and reported thereon as of _____.
(date)

The additional information set out in Part II of the MFDA Financial Questionnaire and Report Schedules 1 to 4 ("Part II – FQR") ~~and the answers contained in questions 2 thorough 7 on the Certificate of Partners or Directors~~ have been subjected to the procedures applied in the audit of ~~the financial statements A to F in~~ Part I - FQR, and in our opinion, present fairly the information contained therein, in all material respects, in relation to ~~these financial statements~~ Part I – FQR taken as a whole.

No procedures have been carried out in addition to those necessary to form an opinion on Part I – FQR.

The additional information set out in Part II – FQR, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Company, the MFDA and the MFDA Investor Protection Corporation to comply with the By-laws, Rules and Policies of the MFDA. The additional information set out in Part II – FQR are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

_____ _____
[name of auditing firm] *[date]*

_____ _____
[signature] *[place of issue]*

NOTES:

A measure of uniformity in the form of the auditors' report is desirable in order to facilitate identification of circumstances where the underlying conditions are different. Therefore, when auditors are able to express an unqualified opinion, their report should take the above form.

Any limitations in the scope of the audit must be discussed in advance with the MFDA. Discretionary scope limitations will not be accepted.

Copies with original signatures must be provided to the MFDA.

13.1.2 MFDA Sets Date for Michael MacDonald Hearing in Toronto, Ontario

NEWS RELEASE
For immediate release

MFDA SETS DATE FOR MICHAEL MACDONALD HEARING IN TORONTO, ONTARIO

August 30, 2007 (Toronto, Ontario) – The Mutual Fund Dealers Association of Canada ("MFDA") commenced a disciplinary proceeding in respect of Michael MacDonald by Notice of Hearing dated June 22, 2007.

As specified in the Notice of Hearing, the first appearance in this proceeding took place today at 10:00 a.m. (Eastern) before a three-member Hearing Panel of the MFDA Central Regional Council.

The commencement of the hearing on the merits of this matter has been scheduled to take place before a Hearing Panel of the Central Regional Council on Wednesday, November 7, 2007 at 10:00 a.m. (Eastern) in the Hearing Room located at the offices of the MFDA at 121 King Street West, Suite 1000, Toronto, Ontario, or as soon thereafter as the hearing can be held.

The hearing will be open to the public, except as may be required for the protection of confidential matters.

A copy of the Notice of Hearing is available on the MFDA web site at www.mfda.ca.

The Mutual Fund Dealers Association of Canada is the self-regulatory organization for Canadian mutual fund dealers. The MFDA regulates the operations, standards of practice and business conduct of its 162 members and their approximately 75,000 Approved Persons with a mandate to protect investors and the public interest.

For further information, please contact:
Yvette MacDougall
Hearings Coordinator
(416) 943-4606 or ymacdougall@mfda.ca

13.1.3 MFDA Sets Date for John Moro Hearing in Toronto, Ontario

NEWS RELEASE
For immediate release

MFDA SETS DATE FOR JOHN MORO HEARING IN TORONTO, ONTARIO

August 30, 2007 (Toronto, Ontario) – The Mutual Fund Dealers Association of Canada ("MFDA") commenced a disciplinary proceeding in respect of John Moro by Notice of Hearing dated June 28, 2007.

As specified in the Notice of Hearing, the first appearance in this proceeding took place today at 10:00 a.m. (Eastern) before a three-member Hearing Panel of the MFDA Central Regional Council.

The commencement of the hearing of this matter has been scheduled to take place before a Hearing Panel of the Central Regional Council on Monday, November 19, 2007 at 10:00 a.m. (Eastern) in the Hearing Room located at the offices of the MFDA at 121 King Street West, Suite 1000, Toronto, Ontario, or as soon thereafter as the hearing can be held.

The hearing will be open to the public, except as may be required for the protection of confidential matters.

A copy of the Notice of Hearing is available on the MFDA web site at www.mfda.ca.

The Mutual Fund Dealers Association of Canada is the self-regulatory organization for Canadian mutual fund dealers. The MFDA regulates the operations, standards of practice and business conduct of its 162 members and their approximately 75,000 Approved Persons with a mandate to protect investors and the public interest.

For further information, please contact:
Yvette MacDougall
Hearings Coordinator
(416) 943-4606 or ymacdougall@mfda.ca

13.1.4 RS Market Integrity Notice – Request for Comments – Provisions Respecting Short Sales and Failed Trades

September 7, 2007 **No. 2007-017**

RS MARKET INTEGRITY NOTICE

REQUEST FOR COMMENTS

PROVISIONS RESPECTING SHORT SALES AND FAILED TRADES

Summary

This Market Integrity Notice provides notice that, on August 14, 2007, the Board of Directors of Market Regulation Services Inc. approved the publication for comment of proposed amendments to the Universal Market Integrity Rules respecting various aspects of short sales and failed trades. In particular, the proposed amendments would:

- repeal all restrictions on the price at which a short sale may be made;
- eliminate the requirement to file "Short Position Reports" if adequate information on short sales executed on a marketplace becomes available;
- require that notice must be provided to a Market Regulator if, after the execution of a trade, the trade is varied (with respect to price, volume or settlement date) or cancelled;
- provide a definition of a "failed trade" and require that a report of a "failed trade" be made to a Market Regulator if the reason for the failure is not resolved within ten trading days following the original settlement date of the trade;
- provide that a Market Integrity Official may cancel a "failed trade" under certain circumstances;
- delete provisions for the "short exempt" order marker; and
- clarify certain requirements that must be met for a seller to be considered the owner of securities at the time of a sale.

Questions / Further Information

For further information or questions concerning this notice contact:

James E. Twiss
Chief Policy Counsel

Telephone: 416.646.7277
Fax: 416.646.7265

e-mail: james.twiss@rs.ca

PROVISIONS RESPECTING SHORT SALES AND FAILED TRADES

Summary

This Market Integrity Notice provides notice that, on August 14, 2007, the Board of Directors of Market Regulation Services Inc. ("RS") approved the publication for comment of proposed amendments to the Universal Market Integrity Rules ("UMIR") respecting various aspects of short sales and failed trades ("Proposed Amendments"). In particular, the Proposed Amendments would:

- repeal all restrictions on the price at which a short sale may be made;
- eliminate the requirement to file "Short Position Reports" if adequate information on short sales executed on a marketplace becomes available;
- require that notice must be provided to a Market Regulator if, after the execution of a trade, the trade is varied (with respect to price, volume or settlement date) or cancelled;
- provide a definition of a "failed trade" and require that a report of a "failed trade" be made to a Market Regulator if the reason for the failure is not resolved within ten trading days following the original settlement date of the trade;
- provide that a Market Integrity Official may cancel a "failed trade" under certain circumstances;
- delete provisions for the "short exempt" order marker; and
- clarify certain requirements that must be met for a seller to be considered the owner of securities at the time of a sale.

Rule-Making Process

RS has been recognized as a self-regulatory organization by the Alberta Securities Commission, British Columbia Securities Commission, Manitoba Securities Commission, Ontario Securities Commission and, in Quebec, by the Autorité des marchés financiers (the "Recognizing Regulators") and, as such, is authorized to be a regulation services provider for the purposes of National Instrument 21-101 and National Instrument 23-101 (the "CSA Trading Rules").

As a regulation services provider, RS administers and enforces trading rules for the marketplaces that retain the services of RS. RS has adopted, and the Recognizing Regulators have approved, UMIR as the integrity trading rules that will apply in any marketplace that retains RS as its regulation services provider. Presently, RS has been retained to be the regulation services provider for: the Toronto Stock Exchange ("TSX"), TSX Venture Exchange ("TSXV") and Canadian Trading and Quotation System ("CNQ"), each as an Exchange; and for Bloomberg Tradebook Canada Company ("Bloomberg"), Instinet I-X Limited, Liquidnet Canada Inc. ("Liquidnet"), Perimeter Markets Inc. (the operator of "BlockBook") and TriAct Canada Marketplace LP (the operator of "MATCH Now"), each as an ATS. CNQ presently operates an "alternative market" known as "Pure Trading" that is entitled to trade securities that are listed on other Exchanges and that presently trades securities listed on the TSX.

The Rules Advisory Committee of RS ("RAC") reviewed the Proposed Amendments. RAC is an advisory committee comprised of representatives of each of: the marketplaces for which RS acts as a regulation services provider; Participants; institutional investors and subscribers; and the legal and compliance community.

The amendments to UMIR will be effective upon approval of the changes by the Recognizing Regulators following public notice and comment and upon ratification of the changes by the Board. Implementation of certain of the Proposed Amendments would be deferred following approval by the Recognizing Regulators until a date determined by the Board to permit changes in the systems and procedures of various market participants. (See "Technological Implications and Implementation Plan".)

The text of the Proposed Amendments is set out in Appendix "A". Comments are requested on all aspects of the Proposed Amendments, including comments on policy alternatives that may be available to the implementation of the Proposed Amendments. Reference should be made to "Specific Matters on Which Comment is Requested". Comments should be in writing and delivered by ***October 9, 2007*** to:

James E. Twiss,
Chief Policy Counsel,
Market Policy and General Counsel's Office,
Market Regulation Services Inc.,
Suite 900,
145 King Street West,
Toronto, Ontario. M5H 1J8

Fax: 416.646.7265
e-mail: james.twiss@rs.ca

A copy should also be provided to Recognizing Regulators by forwarding a copy to:

Cindy Petlock
Manager, Market Regulation
Ontario Securities Commission
Suite 1903, Box 55,
20 Queen Street West
Toronto, Ontario. M5H 3S8

Fax: (416) 595-8940
e-mail: cpetlock@osc.gov.on.ca

Commentators should be aware that a copy of their comment letter will be publicly available on the RS website (www.rs.ca under the heading "Market Policy" and sub-heading "Universal Market Integrity Rules") after the comment period has ended. A summary of the comments contained in each submission will also included in a future Market Integrity Notice dealing with the revision or the approval of the Proposed Amendments.

Background to the Proposed Amendments

Current Provisions on Short Selling under UMIR and Provincial Securities Legislation

Section 3.1 of UMIR provides that a Participant or an Access Person may not make a short sale on a marketplace unless the price is at or above the last sale price for that security or unless certain exceptions apply. The price restrictions on short sales imposed by UMIR are not currently dependent on the liquidity of the security or the degree of difficulty of borrowing the security in order to settle the short sale trade. Under the definition of a "short sale" in UMIR, a trade that on settlement will be settled with borrowed securities is considered a short sale.

Provincial securities legislation generally requires a person who places an order with a Participant for the sale of security that person does not own, to declare to the Participant that they do not own the security at the time of the order. The term "short sale" is not a defined term under provincial securities legislation.

The Strategic Review of UMIR's Short Selling Regime

RS launched a strategic review of UMIR (the "Strategic Review") with the issuance of Market Integrity Notice 2004-026 – *Strategic Review of the Universal Market Integrity Rules* (October 4, 2004), which requested public input on which issues RS should consider in the course of the Strategic Review. RS established a series of roundtable discussions in Montreal, Toronto, Calgary and Vancouver with representatives of buy-side and sell-side firms, marketplaces, and law firms.

The respondents at the roundtables who supported the regulation of short sales generally favoured a prohibition of market manipulation, as opposed to price restrictions on short sales. This was in part because of the potential for manipulation through uptick trading (i.e., manipulating the price of a security upwards with purchases of the security). As one respondent noted: "If you're manipulating a stock, you're manipulating a stock. Whether you're buying or selling, it makes no difference, you're manipulating a stock."

There was little support among respondents at the roundtables for importing the US requirement (discussed further below) to locate securities available for borrowing prior to entering a short sale. Many attendees attributed the US requirement to a large number of failures to deliver that have occurred in the US market, which they asserted have not occurred in the Canadian

market.[1] Some sell-side attendees noted that their firms require them to confirm their ability to borrow low-priced or illiquid stocks before entering a short sale.

As part of the Strategic Review, RS undertook a review of the academic literature on short selling. In summary, this review concluded that price restrictions typically act to restrict price discovery by limiting arbitrage and creating overpricing of securities, thus affecting overall market efficiency and liquidity. A number of studies were identified that support the hypothesis that short sale price restrictions impede price discovery by causing securities to be overpriced as investors cannot trade freely on their "negative views". Authors of one Canadian study argued that market efficiency would be improved with less restriction of short sales.

Most of the empirical studies regarding short sales and their exacerbation of market declines have been conducted in the US. These studies have provided little evidence that a US-style price restriction "uptick" rule promotes stability in declining markets.

With regard to market manipulation, there was little literature outside of the US regarding the role of price restrictions in preventing market manipulation. US authors have concluded that the U.S price restriction "uptick" rule is unnecessary in the US for preventing "bear raids" and market manipulation, given the other restrictions and disclosure elements already in place (such as margin and "locate" requirements).

RS recognizes that there are limitations on the applicability of these studies, as they used primarily US market data and did not always use intra-day data. A summary of the literature indicates that tick rules are of limited use in arresting market declines and may have a negative impact on price discovery, which may outweigh any beneficial impact they may have in preventing market manipulation. In fact, the research literature does not provide evidence that a tick test alone prevents market manipulation. This conclusion is consistent with the input of the attendees at the Strategic Review roundtables. The Canadian studies indicate that the costs of short selling are lower in Canada than in the US, which may mean that short selling may be relatively less restricted in the absence of the US-style tick test and locate requirements.

Regulation of Short Selling and Failed Trades in Other Jurisdictions

General

In recent years, securities regulatory authorities in foreign jurisdictions have made a number of changes to their short selling regimes in line with their regulatory views on short selling and its impact upon marketplaces. Each of the regulatory authorities had reviewed their short selling regimes in response to perceived negative effects of short selling upon marketplaces. For example, the United States Securities and Exchange Commission ("SEC"), in the context of its review of short sale regulation and the proposal of Regulation SHO, stated that short selling increases market liquidity and pricing efficiency, but it may be used to illegally manipulate stock prices. It also stated that unrestricted short selling can exacerbate a declining market in a security.

When the United Kingdom's Financial Services Authority ("FSA") reviewed its short selling regulation in 2002 and 2003, it commented that while short selling supports efficient markets, accelerates price correction in overvalued securities, facilitates liquidity and supports hedging activities and derivative trading, it is also risky if the market moves the wrong way, it may lead to disorderly trading and short-term price volatility and may be used in manipulative strategies. The FSA noted a danger of settlement disruption for less liquid stocks and naked shorts and stated that short selling may exaggerate share price declines undermining commercial confidence and fundraising ability. The rules of the London Stock Exchange governing trading on AIM, the venture market, do not include price restrictions on short sales. Instead, member firms must have a "clear strategy for ensuring the settlement of their short positions".[2]

In 2001 and 2002, the Japan Financial Services Agency and Tokyo Stock Exchange strengthened regulation of short-selling, noting that short selling and short-selling on margin transactions enhance the depth of the market by increasing transaction volume, but may also have "harmful influences".

Regulation SHO

Regulation SHO was adopted by the SEC in 2004 with a compliance date of January 3, 2005. Regulation SHO establishes uniform "locate" and "close-out" requirements. The SEC has stated that these requirements were necessary in order to address problems associated with failures to deliver, including potentially abusive "naked" short selling.

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1 Empirical support for this assertion was found in modelling of a possible Canadian "fails list" undertaken for the CSA/SRO Working Group on Short Selling and Failed Trades. See "CSA/SRO Working Group on Short Selling and Failed Trades Issues". A similar conclusion was reached in research undertaken by RS. See "Statistical Study of Failed Trades on Canadian Marketplaces".

2 Rules of the London Stock Exchange, Rule 3300.

Under the “locate requirement”, Rule 203(b) of Regulation SHO, with some exceptions, requires a broker-dealer to, before effecting a short sale order in any equity security, either borrow or enter into an agreement to borrow, or have reasonable grounds to believe that the security can be borrowed so that it can be delivered in normal course settlement. This "locate" must be made and documented (an “affirmative determination”) prior to effecting the short sale. The “locate” provision places this affirmative determination obligation on all short sellers and applies to both principal and client short sale orders.

Rule 203(b)(3) of Regulation SHO imposes the "close-out requirement”, whereby additional delivery requirements are imposed on broker-dealers for securities in which there are a substantial number of delivery failures at a clearing agency ("threshold securities"). The SEC explains that Regulation SHO requires broker-dealers that are participants of a registered clearing agency to take action to "close-out" failure-to-deliver positions ("open fails") that have persisted for 13 consecutive settlement days in threshold securities. “Closing out” requires the broker-dealer to purchase the same kind and quality of securities. Until the position is “closed out”, the broker-dealer and any broker-dealer for which it clears transactions may not effect further short sales in that threshold security without borrowing or entering into a bona fide agreement to borrow the security (known as the "pre-borrowing" requirement). “Threshold securities” are equity securities that have an aggregate fail to deliver position for five consecutive settlement days at a registered clearing agency totalling 10,000 shares or more and equal to at least 0.5 percent of the issuer’s total outstanding shares.

Under Regulation SHO, threshold security lists must be maintained by either the marketplace itself or the self-regulatory organization that has primary surveillance responsibility for the marketplace. The SEC states that the New York Stock Exchange (“NYSE”) and the American Stock Exchange are responsible for calculating and disseminating lists of their respective threshold securities and the National Association of Securities Dealers (“NASD”) will maintain and disseminate threshold security lists for NASDAQ, OTCBB and Pink Sheet securities.

It is important to note that Canadian dealers that short sell into the US market must comply with US laws and regulations, including Regulation SHO. The Canadian Depository for Securities Limited (“CDS”) currently facilitates the clearing and settlement of transactions between Canadian dealers who are CDS participants and American brokers and institutions. In order to offer these services, CDS is a member of the US National Securities Clearing Corporation (“NSCC”) and the Depository Trust Corporation (“DTC”). CDS is the only member of NCSS and DTC; in other words, all of the accounts used to settle cross-border transactions are in the name of CDS, rather than in the name of the individual CDS participants. CDS is consequently subject to US regulations, including Regulation SHO. In order to ensure that CDS participants comply with Regulation SHO in cross-border transactions, CDS amended its rules to include:

- an explicit requirement that a CDS participant who uses CDS for cross-border clearing and settlement services must comply with Regulation SHO;
- a provision allowing CDS to release information to any self-regulatory organization or regulatory body regarding a CDS participant’s compliance with Regulation SHO;
- a provision authorizing CDS to restrict a CDS participant’s access to cross-border clearing and settlement services where the participant is not compliant with Regulation SHO; and
- a provision mandating that CDS take the necessary steps to close out a CDS participant’s “fail-to-deliver” position in a threshold security under Regulation SHO.

SHO Pilot Project

Concurrent with the adoption of Regulation SHO, the SEC initiated a pilot project whereby short sale price restrictions[3] were temporarily lifted for a list of 1,000 actively-traded securities and after-hours trading of another list of 1,000 securities (the “SHO Pilot Project”). The securities included in the SHO Pilot Project constituted a sample of securities listed on the NYSE, Nasdaq and American Stock Exchange (“AMEX”) and included in the Russell 3000 Index stratified across average daily trading volume levels. The SHO Pilot Project went into effect on May 2, 2005 and has been extended to August 6, 2007, to permit the results of the SHO Pilot Project to be considered in the rule-making process.

The purpose of the SHO Pilot Project is to evaluate the effectiveness and necessity of the price restrictions. In particular, the SEC stated that “the pilot will enable the SEC to obtain empirical data to help assess whether short sale regulation should be removed, in part or in whole, for actively-traded securities, or if retained, should be applied to additional securities.”[4]

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[3] The price restrictions included, for example, the tick test of Rule 10a-1 of the *Securities Exchange Act 1934* and provisions by self-regulatory organizations such as the New York Stock Exchange tick test under NYSE Rule 440B and NASD bid test under NASD Rule 3350.

[4] SEC Release No. 34-50104, July 28, 2004.

On February 12, 2007 the SEC Office of Economic Analysis ("OEA") published its report titled *Economic Analysis of the Short Sale Price Restrictions under the Regulation SHO Pilot* (the "SHO Study").[5] Among the key findings of the SHO Study was that inclusion of a security in the SHO Pilot Project:

- is associated with increased short selling volume for exchange-listed stocks and Nasdaq National Market stocks[6], but appears to have no impact on the level of short interest in either market;
- has had no clear effect on market liquidity;
- on average across all types of stocks, does not appear to have any significant effect on daily volatility – however, the results indicate that inclusion is associated with lower volatility for stocks with higher market capitalization, and higher volatility for stocks with lower market capitalization;
- does not provide evidence that the "tick-test" distorts stock prices; and
- is not associated with evidence of "bear raids".

The SHO Study concluded that the removal of price restrictions on the securities included in the Pilot Project had an effect on the mechanics of short selling, order routing decisions, displayed depth and intraday volatility, but on balance has not had a deleterious impact on market quality or liquidity.

Short Selling and Failures to Deliver in Initial Public Offerings

In April 2007, staff of the OEA published the results of a study of the reasons for "failures to deliver" in connection with trading in equity initial public offerings ("IPO Study").[7] In particular, the IPO Study set out to test the hypothesis that failures to deliver during an IPO, and failures to deliver generally, are the result of "naked" short selling. The IPO Study used short selling data from the SHO Study, as well as information collected by OEA staff on transactions involving short sales in connection with 295 IPOs between January 1, 2005 and May 20, 2006.

The results of the IPO study found no evidence that short selling is related to either fails to deliver or to the inclusion of an IPO on the threshold list. OEA staff point out that their findings "present clear evidence questioning the use of fails to deliver to measure naked short selling, even outside the context of an IPO."[8]

Approved Amendments to Regulation SHO and Short Position Reporting Requirements

On June 13, 2007, the SEC approved various amendments to Regulation SHO and Rule 10a-1, the short sale price test under the *Securities Exchange Act of 1934*[9], and approved the republication of certain proposed amendments. The approved amendments which had a compliance date of July 6, 2007, include:

- removing short sale price restrictions;
- prohibiting any self-regulatory organization (including any exchange) from having a price test;
- removing "short exempt" order marking requirements; and
- eliminating the "grandfather" exception such that all fail to deliver positions in threshold securities will have to be closed out within 13 consecutive settlement days, regardless of whether the fail occurred before the security became a threshold security.

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5 *Economic Analysis of the Short Sale Price Restriction under the Regulation SHO Pilot – A Study by the Staff of the Office of Economic Analysis* (Securities and Exchange Commission, Office of Economic Analysis, February 12, 2005). This study is available at: www.sec.gov/spotlight/studies/2007/regshopilot020607.pdf.

6 Prior to August 1, 2006, Nasdaq was not operating as an exchange and, therefore, its stocks were not "listed" for the purposes of Rule 10a-1.

7 Edwards, Amy K. and Hanley, Kathleen Weiss, (preliminary draft) "Short Selling and Failures to Deliver in Initial Public Offerings" (April 23, 2007). Available at SSRN: http://ssrn.com/abstract=981242.

8 Ibid, p. 27. In part, the IPO Study concludes that IPOs are not as short sale constrained as suggested by the literature and provides evidence that failures to deliver may be related to factors associated with underwriter activities to support the offer price. The IPO Study notes that one explanation for under-pricing in IPOs in the academic literature has been that short selling is either difficult or impossible in the immediate aftermarket because of perceived short selling constraints, namely the assumption that shares of newly public companies are difficult to borrow. The IPO Study documents that short selling is prevalent early in the trading of IPOs.

9 The amendments were originally proposed as SEC Release No. 34-54891 (December 7, 2006) available at: www.sec.gov/rules/proposed/2006/34-54891.pdf.

The SEC approved the republication of the proposal to remove the exemption of options market makers from the "close-out" requirements of securities on the fail list. The SEC also proposed an amendment to require broker-dealers that are marking a sale as "long" to document the present location of the securities being sold.[10]

Based on the results of the SHO Pilot Project and the findings of the SHO Study, the SEC is of the view that removal of all existing price test restrictions would "benefit market participants by providing market participants with the ability to execute short sales in all securities in all market centers".[11] The SEC points out that current short sale regulation applies different price tests to securities trading in different types of markets which may potentially create an un-level playing field between markets and gives rise to regulatory arbitrage by market participants. To this end, the SEC believes that the proposed amendments will reduce confusion, compliance difficulties, and costs for market participants.

At the meeting of the SEC on June 13, 2007, staff of the OEA presented select statistics on the impact of the introduction of Regulation SHO by comparing results from "pre-rule period" (April 1, 2004 to December 31, 2004) to the post-rule period (January 1, 2005 to May 31, 2006). In comparison between the two periods, the number of securities on the threshold list declined by approximately 38% with the average daily volume which failed declining 34% to 534.7 million shares and the average daily volume of securities which are on the fail list declining 52% to 62.7 million shares. However, it is important to note that the statistics reflect only information from NYSE, NASDAQ and Amex and do not include fails from the Bulletin Board. It should also be noted the more "junior" securities traded on the Bulletin Board (2.27% of traded issues) and the Nasdaq Small Cap Market (4.62% of traded issues) were more likely to be included on a fail list than the "senior" securities traded on the exchanges (2.0%).

During the presentation to the SEC, staff noted that there was no evidence that the findings of the Pilot Project would not be applicable to smaller or less liquid securities. However, staff also noted that price volatility was lower among the "large cap" securities that were part of the Pilot Project and higher among the "small cap" securities.

On March 6, 2007, the SEC approved rule amendments submitted by the NASD, NYSE and AMEX, which among other things, increase the frequency of the short interest reporting requirements from monthly to twice per month. The amendments do not otherwise vary the short position reporting requirements, including the type of information to be included in reports.

Recent CSA Initiatives on Trade Matching and Settlement

Earlier this year, the CSA introduced National Instrument 24-101 – *Institutional Trade Matching and Settlement* which provides a general framework for ensuring more efficient and timely settlement processing of trades, particularly institutional trades.[12] The National Instrument, which will become fully effective on October 1, 2007, requires registered dealers and advisers to establish, maintain and enforce policies and procedures designed to achieve matching of delivery against payment or receipt against payment trades as soon as practical after the trade has been executed and in any event no later than the end of the day on which the trade was executed. In addition, the National Instrument requires registered dealers to establish, maintain and enforce policies and procedures designed to facilitate settlement of trades by the standard settlement date.[13]

CSA/SRO Working Group on Short Selling and Failed Trade Issues

RS staff are participating in an informal working group comprised of staff from the Canadian Securities Administrators ("CSA"), Investment Dealers Association ("IDA"), CDS, TSX and the Bourse de Montréal (the "Working Group") that has been examining various issues related to failed trades and short sales, including the role that short sales play in the occurrence of failed trades. The Working Group, as part of its mandate, is monitoring developments in the US, including the Pilot Project and the proposals by the SEC to amend Regulation SHO. The Working Group has considered a number of options and proposals related to short sales and failed trades.

In modelling done for the Working Group based on "fail" data provided by CDS from November 2004 to February 2005, the analysis found that a "fail list" developed using thresholds from Regulation SHO (of average fail positions over a five-day period of 10,000 shares or more that constitute 0.5% or more of the issued and outstanding shares of the issuer) would result in an average of 30 issuers on the "fails list". Based on approximately, 3,894 issues listed on Canadian exchanges at February 28,

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[10] The amendments have been proposed as SEC Release No. 34-56213 (August 7, 2007) available at www.sec.gov/rules/proposed/2007/34-56213.pdf.

[11] Ibid., p. 43.

[12] (2007) 30 OSCB 335.

[13] National Instrument 24-101 – Institutional Trade Matching and Settlement, ss 7.1(1). That subsection provides:

> A registered dealer shall not execute a trade unless the dealer has established, maintains and enforces policies and procedures designed to facilitate settlement of the trade on a date that is no later than the standard settlement date for the type of security traded prescribed by an SRO or the marketplace on which the trade would be executed.

2005, the application of the US criteria for a fail list would have resulted in less than 0.77% of issuers being on a fail list. Based on the modelling done for the Working Group, if the threshold for inclusion on a "fail list" is dropped to one-half of the level in the United States (10,000 shares or 0.25% or more of the issued capital), a total of 58 issues (or 1.49% of issuers) would have been included on the fail list. Even if the threshold for inclusion on a fails list is dropped to one-half the US level, the proportion of Canadian issuers that would be on a "fail list" would still be a fraction of the US position after the effects of the introduction of Regulation SHO as announced by the OEA.

The modelling done for the Working Group also found that the market value of the fails in the issues on the "fail list" using the US criteria would account for only approximately 12.2% of the market value of all failed trades. If the lower threshold of one-half the US criteria is adopted, the market value of the fails in the issues on the "fail list" would still only account for approximately 19.5% of the market value of all failed trades.

RS questioned the balance between the costs and benefits of a US-style "fail list" for Canadian markets due to:

- the presence of uniform short sale restrictions across all Canadian equity marketplaces removed any link between short sales and failed trades that existed in trading in the United States;
- generally lower rates of trade failure in Canada than the United States; and
- the fact that fails in securities on the fail list accounted for a limited percentage of the value in failed trades.

Statistical Study of Failed Trades on Canadian Marketplaces

In order to respond to the absence of empirical data on the prevalence of fails on Canadian marketplaces, RS undertook to conduct a study of 25 dealers with trading access to a Canadian marketplace ("Study Participant") to gather statistical information on the prevalence of, and the reasons for, failed trades on Canadian marketplaces (the "Study").[14]

Study Participants reported a total of 1,078 trades executed on a marketplace monitored by RS[15] that were expected to settle between August 4, 2006 and August 11, 2006 (the "Study Settlement Dates") but failed to do so (the "Study Failed Trades")[16]. With respect to these Study Failed Trades the Study found that:

- failed trades accounted for 0.27% of the total number of trades executed by Study Participants on the TSX, TSXV and CNQ[17];
- the more "junior" the marketplace in terms of the type of security traded, the higher the incidence of failed trades;[18]
- Bank-owned Participants and Non-Bank Participants displayed relatively comparable patterns of failed trades;[19]
- special settlement trades experienced a significantly higher rate of failure (6.15% of trades compared to 0.26% for regular settlement trades); and
- in relation to total trades by account type, failed trades were distributed proportionately across retail client accounts, institutional accounts (including Direct Market Access accounts) and "pro" and inventory accounts in accordance with overall trading activity.

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14 For a more detailed discussion of the Study and its results, see Market Policy Notice 2007-003 – *General – Results of the Statistical Study of Failed Trades on Canadian Marketplaces* (April 13, 2007).

15 For the period covered by the Study Settlement Dates, both Bloomberg and Liquidnet operated as order routers and did not execute trades in listed securities. As such, Bloomberg and Liquidnet were excluded from the analysis.

16 Participants reported an additional 27 failed trades that were excluded from the analysis as 15 of the failed trades occurred on marketplaces outside of Canada and 12 of the failed trades involved an "off-marketplace" private placement or transaction.

17 BlockBook did not execute any trades in the period August 1 to August 8 that would otherwise settle on a Study Settlement Date and therefore BlockBook was excluded from the analysis.

18 Rates of trade failure for Study Participants ranged from 0.22% of total trades by Study Participants on the TSX (a total of 838 fails out of 379,211 trades), to 0.90% of trades on TSXV (resulting from 239 fails out of 26,509 trades) and 2.22% of trades on CNQ (resulting from 1 failed trade out of the 45 trades executed on CNQ by Study Participants during the Study Period). The rate of trade failure on CNQ is comparable to the 2.21% rate reported by the SEC Office of Economic Analysis for US Exchange and OTC Bulletin Board securities based on data for May of 2006.

19 Non-Bank Participants displayed a rate of trade failures in respect of trading on the TSXV which was more than twice the rate for Bank-owned Participants.

Of the 1,078 Study Failed Trades, Study Participants provided more detailed information on a random sample of Study Failed Trades comprising a total of 373 Detailed Analysis Failed Trades.[20] The Study found that, based on the Detailed Analysis Failed Trades:

- the predominant cause of failed trades was administrative delay or error[21], which accounted for almost 51% of fails;
- less than 6% of fails resulting from the sale of a security involved short sales;
- fails involving short sales accounted for only 0.07% of total short sales;
- "buy-in" procedures were used in only 4% of failed trades; and
- approximately 88% of failed trades settled within 5 days after the "expected" settlement date, 96% within 10 days and fully 98% within 15 days after the "expected" settlement date.

During the Study Period, approximately 24% of sales made by Study Participants were short sales, yet the Study found that only 6% of fails resulting from the sale of a security involved a short sale. This finding is at odds with the presumption underpinning the "fail list" provisions in the United States which further restricts short sales when a security passes the threshold on "fails" and is added to the fails list.

Summary of the Proposed Amendments

The following is a summary of the principal components of the Proposed Amendments:

Price Restrictions on Short Sales

Current Requirements

Rule 3.1 of UMIR provides that, subject to certain exemptions, neither a Participant nor an Access Person may make a short sale below the "last sale price". RS recognizes that, in the absence of an information processor, trade information disseminated by certain marketplaces is not readily incorporated into data feeds provided by other information vendors. As such, there are practical difficulties for a Participant or Access Person to monitor affected orders to ensure compliance with the requirements of Rule 3.1. The trading systems of certain of the marketplaces have been designed to "system enforce" the price restriction on short sales. If trade information from all marketplaces is not available in a timely manner in a form that can be readily incorporated into the working of the trading system, the trading systems can not accurately restrict short sales at prices that will comply with the requirements of Rule 3.1.

RS set out in Market Integrity Notice 2006-017 *Guidance – Securities Trading on Multiple Marketplaces* (September 1, 2006) an administrative interpretation that would allow a Participant or Access Person, as applicable, when determining the "last sale price" of a particular security to rely on trade information from the "principal market" for the trading of that security or, when trading on another marketplace, the last sale price on that other marketplace provided such trade on that other marketplace has been executed subsequent to the last sale on the principal market. RS recognizes that the ability to execute short sales on a marketplace other than the principal market at a price lower than the last sale price on the principal market may act as an inducement to direct short selling activity away from the principal market. However, RS believed that this interpretation was supportable during the initial period following the introduction of multiple competitive marketplaces while a more thorough review was undertaken of all provisions governing the conduct of a short sale on a marketplace.

Proposed Repeal of Price Restrictions

The Proposed Amendments would repeal all restrictions on the price at which a short sale may be made. The Proposed Amendments would parallel action taken by the SEC to repeal price restrictions on short sales in the United States.

While the restrictions on the price at which a short sale may be executed would be repealed under the Proposed Amendments, the requirement to mark an order as "short" would continue. The marking of orders would permit RS to monitor the effect of the short sales on market price and to intervene if it appeared that the short sales were being undertaken for a manipulative and deceptive purpose or any other improper purpose. The continued requirement to mark orders as "short" is central to the proposal of replacing the Consolidated Short Position Report. (See "Short Position Reports".)

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[20] Of the Study Failed Trades on which additional detail was submitted by Study Participants, 3 of the trades were excluded from further analysis as the failed trade involved a margin account.

[21] Administrative delays/errors generally include: inadvertent delays related to obtaining physical certificates for securities, custodian lacking instructions, and discrepancies related to security price/amount.

As noted above, academic literature and studies by the SEC have confirmed that the elimination of price restrictions on short sales will result in lower price volatility for "large cap" securities and higher volatility for "small cap" securities. As such, the removal of the price restrictions on short sales should have a minor effect on the monitoring of trading activity on the TSX as 91.2% of trades on the TSX in March and April of 2007 occurred in securities that would qualify as a "highly-liquid security". On the other hand, during this period only 24.6% of trading on the TSXV and none of the trading on CNQ was in a security that qualified as a "highly-liquid security" under the UMIR definition. The tendency for increased price volatility for the illiquid securities on the TSXV and CNQ would be mitigated by the operation of the market making system that requires market makers to maintain a two-sided market within agreed upon spread goals. In addition, TSX, TSXV and CNQ maintain "price parameters" which temporarily "freezes" trading activity in a security if price movement from the last sale price exceeds certain pre-determined amounts.

The less liquid the market the greater the relative effort that is required to monitor the trading activity for compliance with market integrity rules. Given the proportion of trading accounted for by highly-liquid securities on each market, the removal of price restrictions on short sales should have only a minor impact on the generation of statistical trading alerts in respect of trading activity on the TSX. On the other hand, the increased volatility for the majority of securities on the TSXV could be expected to result in a greater number of statistical trading alerts. The additional alerts that are generated should identify possible circumstances of manipulative and deceptive trading practices. However, it must be recognized that the increased generation of alerts with less liquid securities may mean that the costs of regulating "junior" markets may increase with the changes in alert generation.[22]

Alternatives Considered

The original policy rationale for the price restrictions on short sales was to preclude undue downward pressure on the trading price of a particular security from "sellers" who do not own the security. RS recognizes that, in response to the findings of the SHO Study, the SEC has eliminated price restrictions on short sales generally.[23] Staff of RS was of the view that the results of the SHO Study should be applied with caution in the Canadian context given:

- the significant differences in market capitalization and liquidity for securities included in the Russell 3000 index in the United States and securities listed on CNQ, TSXV and even a significant number of securities listed on TSX[24];
- the time period covered by the SHO Study was a period of rapidly expanding volumes and number of trades[25]; and
- index levels have to date generally increased throughout the period of the SHO Study and there was no serious "market stress" event during the period of the SHO Study.[26]

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22 During April of 2007, a statistical trade alert was generated for every 412.3 trades on the TSX as compared to every 24.9 trades on the TSXV. The extent of the impact on alert generation between each of the existing marketplaces can not be accurately predicated.

23 The amendments by the SEC would preclude the application of restrictions on the price of short sales of the approximately 67,000 issuers the securities of which are traded over-the-counter and which were not otherwise subject to the price restrictions of Rule 10a-1.

24 For example, as at April 30, 2007, the average market capitalization of an issuer included in the Russell 3000 Index was $84.648 billion (US$) and a median market capitalization of $1.201 billion (US$). By way of comparison, the market capitalization of the largest constituent of the S&P/TSX Composite Index as at April 30, 2007 was approximately $73.713 billion (Cdn$). The average market capitalization of a constituent of the S&P/TSX 60 Index was approximately $1.352 billion (Cdn$) and a median market capitalization of approximately $1.899 billion (Cdn$). For April of 2007, the TSX reported an annualized turnover rate of 77.6% as compared to a turnover rate of 114% for NYSE Group (including NYSE Arca). For April of 2005, the TSX Group reported an annualized turnover rate of 63.3% as compared to 120% for the NYSE Group.

25 For example, in April of 2007, trading on the TSX had a value of $124.2 billion and volume of 7.9 billion shares resulting from 8,357,352 trades. In April of 2005, trading on the TSX had a value of $75.3 billion and volume of 4.45 billion shares resulting from 3,649,847 trades. By comparison, in April of 2007, trading on the NYSE had a value of $1,956 billion (US$) and volume of 47.9 billion shares resulting from 139,720,720 trades. In April of 2005, trading on the NYSE had a value of $1,554 billion (US$) and volume of 45.3 billion shares resulting from 77,745,000 trades.

26 In the period May of 2005 to April of 2007, the Russell 3000 Index increased by approximately 16.24% annualized return. By way of comparison, the S&P/TSX Composite Index increased from 9,369.3 at the close at the end of April 2005 to 13,416.7 at the close on April 30, 2007, an annualized increase of approximately 20%.

In particular, RS would note the differences in liquidity for listed securities between TSX, TSXV and CNQ in comparison with the liquidity for securities listed on the NYSE.

Marketplace	Period / % Change	Listed Issues	Daily Average Per Listed Issue		
			Value	Volume	Trades
TSX	Apr. 2005	1,862	$1,925,470	113,864	93.3
	Apr. 2007	2,104	$2,950,511	188,983	198.5
	% Change	13.0%	53.2%	66.0%	112.8%
TSXV	Apr. 2005	2,023	$24,069	32,645	5.5
	Apr. 2007	2,277	$105,676	112,989	18.7
	% Change	12.6%	339.1%	246.1%	240.4%
CNQ	Apr. 2005	44	$5,732	20,448	1.4
	Apr. 2007	73	$13,147	21,192	2.0
	% Change	65.9%	129.4%	3.6%	42.9%
NYSE Group	Apr. 2005	2,707[27]	$27,336,535 (US$)	796,825	1,377
	Apr. 2007	2,782[27]	$35,146,118 (US$)	860,644	2,511
	% Change	2.8%	17.59%	8.0%	82.4%

To address these concerns, particularly with respect to the trading of securities with limited liquidity, RS is proposing to undertake an empirical study of the impact of the repeal of the price restrictions on short sales and the other changes included in the Proposed Amendments on:

- trading activity;
- rates of failure in the settlement of trades; and
- the ability to detect manipulative or deceptive trading in circumstances when abusive short selling has occurred.

For more details on the proposed study, see “Impact Study” under the heading “Technological Implications and Implementation Plan”.

Staff of RS had considered several changes to the current price restriction regime as alternatives to the outright repeal of the price restrictions. Among the changes considered by staff were:

- expanding the classes of securities that would be exempt from price restrictions; and
- simplifying the means of determining the price below which a short sale was not able to be made.

Additional Exemptions

RS staff considered expanding the list of securities that would be exempted from the price restrictions on short sales to include a “highly-liquid security” or a security that had been designated by RS. The exemption for a “highly-liquid security” would have paralleled the similar exemption from price restrictions on market stabilization and market balancing activities under Rule 7.7. The policy rationale underpinning such an exemption is that it is difficult to manipulate the price (either upward in the case of market stabilization or market balancing or downward in the case of a short sale) of a security that is sufficiently liquid.

As at April 30, 2007, there were a total of 463 listed securities which qualified as a “highly-liquid security” of which 430 were listed on the TSX (representing 20.4% of the 2,104 issues then listed on the TSX) and 33 on TSXV (representing only 1.4% of the 2,277 issues then listed on TSXV). However, the securities listed on the TSX which qualified as a “highly-liquid security” as at April 30, 2007 accounted for approximately 91.2% of trades on the TSX during March and April of 2007 and approximately 96.0% of the value of trades on the TSX during the same period. The securities listed on the TSXV which qualified as a “highly-liquid security” as at April 30, 2007 accounted for approximately 24.6% of trades on the TSXV during March and April of 2007 and approximately 37.5% of the value of trades on the TSXV during the same period. The introduction of an exemption for a “highly-liquid security” would have permitted short sales in securities which account for the over-whelming majority of trading activity on the TSX and a significant proportion of the trading activity on TSXV. Price restrictions on short sales would have

[27] Based on listings as at December 31st.

continued to apply to those securities listed on the TSX, TSXV and CNQ which are less liquid and hence more susceptible for "artificial" or "undue" price influences.

RS staff also considered providing that RS could designate additional securities as exempt from the price restrictions in appropriate circumstances. In particular, staff recognized that if liquidity on Canadian marketplaces continued to expand such that enhanced liquidity will be a "permanent" feature of marketplaces (as a result of such factors as: increased direct access for institutional and retail clients; greater reliance on algorithmic trading; and increased arbitrage activity between competitive marketplaces), there may be merit in designating all listed securities as exempt from price restrictions for short sales (and dealing with the possible misuse of short sales through rules dealing with manipulative and deceptive activities).

The advantage of this approach was that it did not expose illiquid securities to undue selling pressure thereby eliminating the need to monitor short sales made below the last sale price for manipulative or deceptive effects. However, in the view of RS, the existing RS-system monitors for manipulative and deceptive behaviour are robust enough to adequately deal with any short selling at prices which were previously precluded by virtue of Rule 3.1.

The disadvantages of this approach relate principally to systems implications and on-going compliance costs. Each of the current marketplaces system-enforces compliance with the price restrictions on short sales. Implementation of this alternative would have required significant programming on the part of marketplaces with a requirement to monitor the securities which qualified as a "highly-liquid security". If one or more marketplaces chose not to system enforce the price restrictions, the burden would have shifted to Participants and Access Persons (or their service providers). In this case, to the extent that a Participant or Access Person was not in a position to monitor the exemptions, potential trading opportunities may have been missed.

Simplifying Determination of Price Restrictions

Staff of RS considered several options to simplify compliance with the price restrictions on short sales including:

- providing that, in the absence of an information processor, the determination of the "last sale price" be made by reference to trades on the "principal market"; and
- replacing the "last sale" price test with a restriction that the order can not be entered at a price less than the "best ask" price at the time of order entry (and that any subsequent variation of the order can not reduce the price of the order to a price that is less than the best ask price at the time of the variation of the order).

Both of these options were considered in the context of complying with price restrictions on short sales in a multiple marketplace environment. Since each of the marketplaces currently system enforces compliance with the price restrictions by at least reference to the "principal market", the use of the last sale price only from the principal market would have been the easiest to implement. However, there is no requirement that marketplaces system enforce short sale price restrictions. The second option considered by RS staff contemplated that if the price of the order at the time of entry or variation is in line with then prevailing market, there would be no obvious attempt on the part of a short seller to further reduce the market price. In the view of staff of RS, the elimination of tests based on the "last sale price" would assist Participants and Access Persons to manage affected orders and would facilitate marketplaces maintaining trading systems that can system enforce the price restrictions imposed by the rules.

The proposal to simplify the determination of price restrictions was tied to the proposals to provide additional exemptions from the price restrictions. Advice received by RS staff was that any benefits that might arise from the simplification of the determination of price restrictions did not offset the perceived burdens from administering an expanded exemption regime.

Exemption from Price Restrictions on Short Sales for Inter-listed Securities

RS had indicated to both the Working Group and the Recognizing Regulators that, if the SEC proceeded with proposed amendments to Rule 10a-1 and Regulation SHO to remove short sale price restrictions on US markets, comparable relief may have to be granted to permit short sales on a marketplace without price restrictions if the security is inter-listed with an exchange in the United States. To have a markedly different standard for short sales on a marketplace as compared to trades in the same security on an organized regulated market in the United States would put marketplaces at a competitive disadvantage.

On June 13, 2007, the SEC approved amendments to remove the price restrictions on short sales as set out in Rule 10a-1 as well as any short sale price test of any self-regulatory organization.[28] In addition, the amendments prohibit any self-regulatory organization from having a price test. These amendments were effective July 3, 2007 with a compliance date indicated of July 6, 2007.

[28] For a description of the various amendments approved by the SEC on June 13, 2007, see "Approved Amendments to Regulation SHO and Short Position Reporting Requirements".

Based on trading statistics of Canadian marketplaces for April of 2007, securities which are inter-listed with an exchange in the United States account for approximately 55% of the value of securities traded and approximately 30% of the volume of securities traded. In addition, approximately 25% of trades on a Canadian marketplace involve a short sale (including sales which qualify as "short exempt" from the price restrictions under Rule 3.1 of UMIR). These numbers indicate the significant extent to which trading on Canadian marketplaces may be impacted by the decision of the SEC to repeal price restrictions on short sales.

In light of the decision of the SEC to remove price restrictions on short sales, RS granted, effective July 6, 2007, an exemption from the price restrictions on a short sale under Rule 3.1 of UMIR in respect of securities which are inter-listed on an exchange in the United States.[29] If a security is listed on an Exchange and is also listed on an exchange in the United States, a short sale of the security may be entered on any marketplace using the "short exempt" marker. Securities which trade on an ECN in the United States but are not otherwise listed on an exchange[30] in the United States do not qualify for the exemption.

If a particular marketplace does not support the "short exempt" marker, the order must be marked as "short". In this circumstance, if the marketplace has system enforced compliance with the price restrictions on short sales, the marketplace may suspend the automatic enforcement of the price restrictions on securities covered by the exemption. If a marketplace is unable to suspend the automatic enforcement of the price restrictions on securities covered by the exemption, short sales of exempt securities on that marketplace will be executed at a price not less than the last sale price of the security.

As the exemption from the price restrictions on a short sale in respect of securities which are inter-listed on an exchange in the United States is an exemption to a class of transactions, the concurrence of the Recognizing Regulators was obtained in accordance with Rule 11.1. The exemption will expire upon the Proposed Amendments becoming effective following approval by the Recognizing Regulators or upon the withdrawal of the Proposed Amendments from consideration by the Recognizing Regulators.

Additional Restrictions on Short Sales

Definition of "Short Sale Ineligible Security"

The Proposed Amendments would allow the Market Regulator to designate a particular security or a class of securities as being ineligible to be sold "short". This purpose of this provision would be to provide additional flexibility to the Market Regulator to respond to developments in trading of a particular security or class of securities if rates of failed trades become, in the opinion of the Market Regulator, excessive.[31]

Effective April 1, 2005, the provisions of Policy 2.2 regarding False or Misleading Appearance of Trading Activity or Artificial Price were amended to specifically provide that "entering an order for the sale of a security without, at the time of entering the order, having the reasonable expectation of settling any trade that would result from the execution of the order"[32] would constitute a manipulative and deceptive activity. The provision does not require that the dealer make a "positive affirmation" that it has the ability to settle the trade but merely have a "reasonable expectation" at the time of the entry of the order. Essentially, a Participant may enter a short sale of a security until such time as the Participant knows, or should reasonably have known, that it can no longer borrow the securities to effect settlement. The CSA Trading Rules contain comparable prohibitions for trading which is not subject to UMIR.[33]

On October 1, 2007, National Instrument 24-101 – *Institutional Trade Matching and Settlement* will become effective. That instrument requires registered dealers to establish, maintain and enforce policies and procedures designed to facilitate settlement of trades by the standard settlement date. In determining whether a Participant had a "reasonable expectation of settling" a trade for the purposes of Policy 2.2, RS would consider whether the Participant was in compliance with the policies and procedures adopted in accordance with the requirements of National Instrument 24-101.

In the view of RS, the amendments to Policy 2.2 that were effective on April 1, 2005 should preclude short selling in so-called "death spiral" situations. Historically, a "death spiral" had occurred when an issuer was undergoing certain types of

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29 For a more detailed description of the exemption, reference should be made to Market Integrity Notice 2007-014 - *Guidance – Exemption of Certain Inter-listed Securities from Price Restrictions on Short Sales* (July 6, 2007).

30 An exchange is a market that is registered as an "exchange" under the *Exchange Act of 1933* (United States). In particular, it should be noted that an ECN, the Bulletin Board and the Pink Sheets are NOT an "exchange".

31 At the time of the drafting of UMIR, CDNX had Rule C.2.12 which provided: "The Exchange may, whenever it shall determine that market conditions so warrant, prescribe a prohibition on short selling". A comparable provision was not incorporated into UMIR on the grounds that the general provisions curtailing abusive short selling made the provision unnecessary. With the proposed expansion of the exemptions from price restrictions related to short selling, the ability of the Market Regulator to curtail short selling in a particular security that is evidencing persistent settlement failures may become necessary.

32 Clause (h) of Part 2 of Policy 2.2

33 See clause 3.1(3)(g) of Companion Policy 23-101CP.

arrangements or capital reorganizations (including voluntary or involuntary conversion of debt to a class of listed equity) that tied the conversion or reorganization ratios to the market price of the security to be issued. As the market price of the listed security fell the number of securities to be issued rose. In anticipation of receiving additional listed securities on the completion of the transaction, investors would sell the additional listed security short into the market resulting in further downward pressure on the market price of the listed security. Since the securities that would be issuable on the arrangement or reorganization would not be available to settle the sales in the ordinary course, the sales would be considered "short sales" for the purposes of UMIR.

If, based on reports of failed trades submitted to RS in accordance with the Rule 7.11 under the Proposed Amendments or other sources of information, RS became aware of systemic failures to settle trades in a particular security or class of securities that were related to short selling activity, the Proposed Amendment would permit RS to designate the particular security or class of securities as being ineligible for a short sale. A designation to preclude a particular security or class of securities from being able to be sold "short" would only be made by RS with the concurrence of the Recognizing Regulators.

The results of the "Statistical Study of Failed Trades on Canadian Marketplaces" indicated that the majority of trade failures were the result of administrative delay or error. For this reason, RS is not in favour of the approach used in the United States. (Reference should be made to "Statistical Study of Failed Trades on Canadian Marketplaces".)

Exercise of Options, Rights and Warrants

Under the definition of "short sale" in Rule 1.1 of UMIR, a seller shall be considered to own a security under various circumstances including if the seller:

- owns directly or through an agent or trustee another security that is convertible or exchangeable into that security and has tendered such other security for conversion or exchange or has issued irrevocable instructions to convert or exchange such other security;
- has an option to purchase the security and has exercised the option; or
- has a right or warrant to subscribe for the security and has exercised the right or warrant.

The Proposed Amendments would clarify the circumstances when a seller would be taken to have "converted", "exchanged" or "exercised" securities for the purposes of the definition. Under the Proposed Amendments, the seller must have taken all steps necessary to become legally entitled to the security, including having:

- made any payment required;
- submitted to the appropriate person any required forms or notices; and
- submitted, if applicable, to the appropriate person any certificates for securities to be converted, exchanged or exercised.

If the seller has not taken all necessary steps to become legally entitled to the security, the seller will be considered to be making a short sale.

Variation and Cancellation of Trades After Execution

The Proposed Amendments would introduce a requirement that a trade could not be cancelled or varied (with respect to: the price of the trade; the volume of the trade; or the date for settlement of the trade) except if the cancellation or variation was made by:

- RS in accordance with UMIR; or
- with notice to RS immediately following the variation or cancellation of the trade in such form and manner as may be required by RS.

Prior to the settlement of the trade, each Participant or Access Person who is a party to a trade may not agree to a cancellation or variation of the trade (with respect to: the price of the trade; the volume of the trade; or the date for settlement of the trade) except through the procedures and facilities offered by the marketplace on which the trade was executed or the clearing agency through which the trade is or was to be cleared and settled. The use of the procedures and facilities provided by the marketplace or the clearing agency will ensure that information regarding the cancellation or variation can be disseminated to the appropriate information vendors.

The addition of the notice requirement should not impose, in the ordinary course, a greater administrative burden upon a Participant or Access Person. The current practice for a Participant or Access Person is to contact CDS to add, vary or cancel trades prior to settlement. CDS reports these variations or cancellations to the marketplace for review and, in turn, the marketplace forwards the report to RS. If RS concludes that there are no market integrity concerns and agrees with the change, the marketplace amends the official record of the trade. However, if the trade cancellation or variation is made after the settlement of the trade by the clearing agency, notice of the trade cancellation or variation shall be provided to RS by each Participant and Access Person that is a party to the trade.

The purpose of the amendment is to ensure that a trade variation or cancellation is not effected outside the normal processes of the marketplaces and CDS unless RS is notified of the variation or cancellation and has the opportunity to review the change for possible market integrity concerns. Notice of a trade cancellation or variation will allow RS or another regulation services provider to ensure that the cancellation or variation of the trade is for a bona fide reason and not as part of a manipulative or deceptive manner of trading (including the establishment of a price that would permit other trading activity to then be conducted in nominal compliance with UMIR or other securities regulatory requirements).

Handling of Failed Trades

Report of a "Failed Trade"

Securities regulators generally have a concern regarding the relationship between failed trades and preserving market integrity. Currently under UMIR, a Participant or Access Person does not have to report to a regulation services provider or other regulatory body the existence of a "failed trade". In order to ensure that the audit trail for any trade is accurate and that RS has sufficient information to evaluate whether trading activity has been conducted in compliance with UMIR and other regulatory requirements, the Proposed Amendments would introduce a requirement that each Participant or Access Person would be required to report to RS or another regulation services provider if a trade that has failed to settle on the settlement date remains unresolved 10 trading days following the settlement date. These reports would also allow RS or another regulation services provider to determine if the trade has failed to settle for an "improper" reason (for example, if a sale had been executed as an undeclared short sale).

Once an initial report of a "failed trade" had been filed with RS, the Participant or Access Person would be required to file a second report once the account had cured the default. In this way, RS will be in a position to monitor trends in "failed trades" including the steps which a Participant or Access Person may be taking to rectify the default. Information from the reports would be used by RS in making a determination whether a particular security should be designated as a "Short Sale Ineligible Security". (See "Definition of "Short Sale Ineligible Security".)

RS expects that both the initial report of a failed trade and the report of the closing out of the position would be filed electronically with RS in a standard form that would permit RS to assemble the information in a database for analysis purposes. The Proposed Amendments provide that such reports are to be filed at such time as may be required by RS. At this time, RS would expect that the initial report would be provided to RS on the eleventh trading day following the "failure" and that the "close-out" report would be provided to RS by the trading day following the cure of the default. (See "Technological Implications and Implementation Plan".)

As indicated in the results of the "Statistical Study of Failed Trades on Canadian Marketplaces", failed trades accounted for only 0.27% of the total number of trades executed. In addition, the study found that the predominant cause of failed trades is administrative delay or error and that approximately 96% of failed trades are settled within 10 trading days after the "expected" settlement date. With the introduction of a reporting obligation after 10 trading days as suggested by the Proposed Amendments, RS would expect that Participants and Access Persons may modify their policies and procedures in an attempt to maximize the settlement rate prior to becoming subject to the reporting obligation.[34] Based on the results of the study, RS would anticipate that a report would be required in connection with approximately 0.01% of trades.

RS considered the introduction of "fails list" patterned on the requirements under Regulation SHO in the United States. However, given the generally lower rates of trade failure in Canada and the absence of a direct link between short selling and trade failure, RS proposed a more direct obligation to report specific failed trades.[35] RS acknowledges that the requirement to report "failed trades" would impose an additional administrative burden on Participants and Access Persons. However, this additional burden will be imposed in respect of a statistically insignificant number of trades and may be off-set by the elimination

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[34] The Study indicated that the "buy-in" procedures of CDS or the marketplaces were invoked in only 4% of the failed trades involving Study Participants. See "Statistical Study of Failed Trades on Canadian Marketplaces". Use of the existing buy-in procedures to close-out fail positions may become more prevalent in order to avoid triggering the reporting requirements related to failed trades that would be introduced by the Proposed Amendments.

[35] See "CSA/SRO Working Group on Short Selling and Failed Trades Issues" and "Statistical Study of Failed Trades on Canadian Marketplaces".

of the requirement to prepare and file the Consolidated Short Position Report ("CSPR") twice a month.[36] In addition, it should be noted that the imposition of the administrative burden is on the Participant involved in the particular failed trade. In the view of RS, the imposition of the burden on a particular Participant is preferable to the approach in the United States with the addition of a security to the "fails list" resulting in administrative and compliance burdens on all dealers whether or not they have been involved in failed trades of the particular security.

Definition of a "Failed Trade"

The Proposed Amendments would define a "failed trade" as a trade resulting from the execution of an order entered by a Participant or Access Person on a marketplace on behalf of an account and

- in the case of a sale, other than a short sale, the account failed to make available securities in such number and form;
- in the case of a short sale, the account failed to make:
  - available securities in such number and form, or
  - arrangements with the Participant or Access Person to borrow securities in such number and form; and
- in the case of a purchase, the account failed to make available monies in such amount,

as to permit the settlement of the trade at the time on the date contemplated on the execution of the trade. The definition also confirms that a trade shall be considered a "failed trade" irrespective of whether the trade has been settled in accordance with the rules or requirements of the clearing agency. The definition measures the existence of a "failed trade" at the account level and the default of the account holder in meeting settlement obligations. For example, if a Participant "fails" to settle both the purchase and sale of given amount of a particular security, the position of the Participant at the clearing agency may be "accurate" as a result of continuous net settlement but there remain two accounts which have defaulted on their settlement obligations. If this default persisted for a period of ten trading days beyond the normal settlement date, each of the accounts would be considered to have a "failed trade".

Provision for Cancellation of a "Failed Trade"

From a policy perspective, one of the objectives of market integrity rules is to ensure that all trades executed on a marketplace are "bona fide" and that all such trades settle in the ordinary course. If an account has defaulted in its settlement obligations, this failure may be indicative of improper behaviour if the default is not cured within a reasonable period of time.

In order to further encourage the timely performance of obligations, the Proposed Amendments would amend Rule 10.9 to specifically authorize a Market Integrity Official to cancel any trade that is a failed trade in respect of which notice has been, or should have been, provided to the Market Regulator in accordance with Rule 7.11 if, in the opinion of such Market Integrity Official:

- the account has failed to diligently pursue making available the applicable securities or monies or making arrangement for the borrowing of the applicable securities;
- there is no reasonable prospect that the failure will be rectified pursuant to the rules, requirements or procedures of the marketplace on which the trade was executed or the clearing agency through which the trade was to be settled; and
- the cancellation of the trade is appropriate in the interest of a fair and orderly market.

In particular, this provision is aimed at the less than 2% of failed trades that are not resolved within 15 days after the expected "settlement" date. In these circumstances, RS must be satisfied that there is a valid reason for the continuing default and not merely an attempt to "game" future price levels in the affected security. The proposed provision is not intended to provide a mechanism for an account to be absolved of a "bad trade" but to ensure timely performance. For example, if an account has made a short sale and failed to deliver the securities on ordinary settlement, it would not be acceptable to further delay the delivery of securities in the hope that the market price of a security might decline further permitting the short position to be covered at an even lower price.

[36] See "Short Position Reports".

Anti-Avoidance Provisions

The trigger for the reporting obligation with respect to a failed trade is for the account to have been in default for a period of 10 trading days after the original settlement date of the trade. The Proposed Amendments would make a consequential amendment to Policy 2.1 to confirm that entering into a transaction or series of transactions in an attempt to "re-age" the default such that a report of the original failed trade would not have to be filed would be considered a violation of the requirement to conduct trading openly and fairly.

Short Position Reports

Historically, the TSX produced a "Consolidated Short Position Report" on behalf of the various stock exchanges in Canada. When UMIR was adopted in 2002, Rule 10.10 required Participants and Access Persons to prepare and file a short position report twice-monthly with respect to short positions in securities traded on a marketplace. The TSX continued to produce the CSPR as a service for RS and also continued to sell the CSPR as a data product, as well as providing it to listed issuers at no cost.

It is RS's view that the preparation of these reports imposes an administrative burden on Participants, Access Persons and the TSX. RS would note that the CSPR is not used extensively by RS for any regulatory purpose as the information it contains is of limited regulatory utility. Currently, the report is costly for TSX to produce due to the extensive manual effort required and, as such, the TSX may have to increase the cost of the report in order to recover its expenses associated with its production and distribution. In addition, there are significant compliance costs for the Participants and Access Persons, which must prepare and submit the short position reports on a semi-monthly basis.

Increasingly, there is concern whether the CSPR provides a complete or meaningful picture of the short position in any security. In particular, the CSPR report does not reflect the short position in securities held by:

- US-based or foreign dealers and institutions (which is particularly relevant as approximately 54% of the trading value and 30% of the volume in April of 2007 on regulated marketplaces was undertaken in securities that are inter-listed with the United States);
- dealers in Canada that are not Participants (e.g. the dealer is not a member of an Exchange, user of a QTRS or subscriber to an ATS); and
- custodians or other institutions in Canada that are members of CDS (and not through an account maintained at a Participant).

As well, currently, the CSPR does not include the short position in securities which are listed on CNQ. With the imminent introduction of additional marketplaces to Canada, RS would like to ensure that, if the decision is made to retain the current or an expanded CSPR, such report is truly "consolidated" and reflects the short position in securities traded on all marketplaces in Canada.

RS has considered whether the CSPR in its present form provides sufficient meaningful information to the market, given the costs and efforts associated with its production. It is the view of RS that there are alternative mechanisms to provide information in a timely or cost effective manner (e.g. to what extent would periodic summaries produced by marketplaces of "short sales" undertaken on those marketplaces based on the "short" marker meet the needs of the users of the CSPR while easing the administrative burden on both the TSX and the Participants).

As an alternative, the CSPR could be retained and made more meaningful by categorizing the short position as "covered", "hedged", "naked" or "closing out of a short sale" to more accurately reflect the possible future buying interest that may be required to offset the short position in any account. However, if the CSPR were to become more detailed, Participants and Access Persons may also have to mark their orders in a more detailed way than simply the "short" or "short-exempt" markers currently required. It has also been suggested that the "covered", "hedged", "naked" or "closing out of a short sale" markings be displayed publicly in real-time trade execution dissemination, rather than summarized in a delayed report. It is the view of RS that the benefits of incorporating all or any of the above additional information into the CSPR, while making the report more meaningful, would be outweighed by the higher compliance cost for Participants and Access Persons and, in the case of additional order marking, may be impractical and could hamper order handling. As such, RS does not support the further expansion of the CSPR.

The Proposed Amendments would repeal the requirement for preparing and filing a short position report under Rule 10.10 of UMIR. The repeal would relieve Participants, Access Persons and TSX of the administrative burdens in respect of the production and dissemination of the CSPR. The repeal of Rule 10.10 of UMIR would only become effective, if the Board is satisfied that adequate information on short sales executed on a marketplace had become generally available. To replace the CSPR, RS envisages the dissemination by third parties of periodic summary reports of short sales effected on marketplaces in

particular securities. In the view of RS staff, the summary report of short sales should be produced no less frequently than semi-monthly, the time period covered by the current CSPR. In addition, RS staff is of the view that the release of the summary report should be delayed for three trading days to give Participants and Access Persons time to correct the markers on any order on a post-trade basis. (See "Repeal of Requirement for Short Position Reports" under the heading "Technological Implications and Implementation Plan".)

RS recognizes that, on March 6, 2007, the SEC approved proposed rule amendments submitted by the NASD, NYSE and AMEX, which among other things, increase the frequency of the short interest reporting requirements from monthly to twice per month. The amendments do not otherwise vary the short position reporting requirements, including the type of information to be included in such reports. It should also be noted that short sale reporting obligations in the United Kingdom, Australia and Hong Kong range from daily reporting to no reporting other than marking trades as "short". Nonetheless, RS believes that the dissemination of trading summaries of "short" sales provides an opportunity to:

- relieve Participants and marketplaces of an on-going administrative burden; and
- provide market participants with more timely and accurate information on short selling activity in particular securities.

RS recognizes that in order to ensure that the summary data on short sale trading activity is accurate, each Participant and Access Person would have to ensure that their policies and procedures for order marking are adequate and that short sales are properly marked even when the order would not be subject to price restrictions. For the summary data to provide meaningful and accurate information, the practice of bundling "long" and "short" sales together in certain circumstances would have to be terminated and Participants and Access Persons may require new processes for identifying and correcting improperly marked short sales.

Order Markers

If the Proposed Amendment to repeal price restrictions on a short sale is approved, a consequential change must be made to the order marking requirements under Rule 6.2 to eliminate the requirement for a special marker on short sale orders which are exempt from short sale price restrictions. The Proposed Amendments would retain a requirement that a short sale be marked.

Summary of the Impact of the Proposed Amendments

The following is a summary of the most significant impacts of the adoption of the Proposed Amendments:

- removes the restrictions on the price at which a short sale may be executed;
- eliminates the requirement to file "Short Position Reports" (provided adequate information on short sales executed on a marketplace becomes available);
- limits the ability to vary (with respect to price, volume or settlement date) or cancel a trade after execution unless notice has been provided to a Market Regulator;
- requires a report of a "failed trade" be made if the reason for the failure is not resolved within ten trading days following the original settlement date of the trade;
- provides a Market Integrity Official with specific power to cancel a "failed trade" under certain circumstances; and
- replaces the CSPR with summary data on short sale activity on marketplaces thereby increasing the importance of correct order marking (even in circumstances when an order would be exempt from the price restrictions on short sales).

Technological Implications and Implementation Plan

Repeal of Price Restrictions on Short Sales

Currently, each of the marketplaces enforces compliance with the price restrictions on short sales by reference to the "last sale price" on the principal market. Each of the marketplaces may have to undertake changes to its trading systems to permit the execution of a short sale at prices below the last sale price. Similarly, to the extent that a marketplace may decide to system enforce restrictions on short sales, adjustments would have to be made to accommodate the introduction of the concept of a "Short Sale Ineligible Security" that would preclude a short sale of a designated security.

In order to provide Participants, Access Persons, marketplaces and service providers with an opportunity to make changes to their programming to accommodate the introduction of these changes, implementation of the various provisions related to price restrictions on short sales would be deferred for a period of not less than 30 days following the date of approval of the Proposed Amendments by the Recognizing Regulators on a date to be determined by the Board. It would be the intention of RS to issue a Market Integrity Notice announcing the date these provisions would be implemented at least 10 days in advance of the implementation date determined by the Board.

If price restrictions on short sales are repealed and a marketplace has not been able to revise its trading system by the date the repeal becomes effective, RS would permit short sales to be entered on a marketplace as "short exempt" until such time as the trading system of the marketplace had been revised to stop the enforcement of price restrictions on short sales.

Provision for a "Short Sale Ineligible Security"

The Proposed Amendments would preclude a short sale of any security that had been designated by a Market Regulator as being ineligible to be sold short. To the extent that a marketplace may decide to system enforce restrictions on short sales, adjustments to the trading system of the marketplace would have to be made to accommodate the introduction of the concept of a "Short Sale Ineligible Security".

In order to provide Participants, Access Persons, marketplaces and service providers with an opportunity to make changes to their programming to accommodate the introduction of this change, implementation of the restriction on short sales of a security designated as a "Short Sale Ineligible Security" would be deferred for a period of not less than 90 days following the date of approval of the Proposed Amendments by the Recognizing Regulators on a date to be determined by the Board. It would be the intention of RS to issue a Market Integrity Notice announcing the date these provisions would be implemented at least 30 days in advance of the implementation date determined by the Board.

Repeal of Requirement for Short Position Reports

The repeal of Rule 10.10 under the Proposed Amendments would become effective upon a date determined by the Board. It is anticipated that the production and dissemination of the CSPR would continue for a period of six months to a year following the introduction of the summary reports on short sales executed on marketplaces in order to allow the current users of the CSPR an opportunity to evaluate the information provided by trading summaries. The production of both trading summaries and the CSPR would provide RS an opportunity to track the relationship between information provided in the CSPR with the marketplace trading summaries. If the study undertaken by RS concluded that the trading summaries were an appropriate replacement for the CSPR, the Board would establish an effective date for the repeal of Rule 10.10. (See "Impact Study".)

If the Proposed Amendments are approved, RS would pursue the introduction of the trade summaries on the most cost effective and efficient basis (after consultation with the applicable securities regulatory authorities and marketplaces). At this time, RS believes that the options for the preparation of a consolidated summary report would be by:

- marketplaces acting co-operatively (in a manner similar to the preparation of the CSPR today);
- RS using the regulatory feed provided for trades on all regulated marketplaces; or
- the information processor, if one is approved for all regulated marketplaces.

Reports of "Failed Trades" and Trade Variations and Cancellation

If the Proposed Amendments related to a Participant or Access Person providing notice to RS of a "failed trade" or of a variation or cancellation of a trade subsequent to its execution are approved, RS will have to implement a secure electronic method for a Participant or Access Person to provide such notice or report to RS. (Prior to the settlement of the trade, any notice of variation or cancellation would be provided to RS by the marketplace or clearing agency). RS will also have to develop databases to store the information provided and monitoring tools to assist in the analysis of the information received.

In order to provide Participants and Access Persons with an opportunity to make changes to their policies and procedures to accommodate the introduction of these notice and reporting obligations, implementation of the various provisions related to the provision of notice to RS respecting such trades would be deferred for a period of not less than 90 days following the date of approval of the Proposed Amendments by the Recognizing Regulators on a date to be determined by the Board. It would be the intention of RS to issue a Market Integrity Notice announcing the date these provisions would be implemented at least 30 days in advance of the implementation date determined by the Board.

Impact Study

If the Proposed Amendments are approved, RS intends to undertake an empirical study of the impact of the amendments ("Impact Study"). While the construction and methodology of the Impact Study will depend on the content and effective date of the approved amendments, the Impact Study would be conducted following the implementation of the Proposed Amendments. RS anticipates that the Impact Study would:

- analyze trading and settlement activity of listed securities (including both liquid and illiquid securities listed on TSX, TSXV and CNQ);
- last for a period of up to one year prior to and up to one year following the effective date of the approved amendments; and
- be based on five or more categories of listed securities being:
    - securities inter-listed with an exchange in the United States,
    - securities which qualify as "highly-liquid", and
    - at least three tiers of "illiquid" securities determined by relative liquidity.

The Impact Study would attempt to determine whether the approved amendments had an effect on:

- volume of short selling;
- rates of trade failure;
- the relationship, or the lack thereof, between levels of short selling and trade failure;
- the ability to detect manipulative or deceptive trading in circumstances when abusive short selling has occurred;
- price volatility and the operation of the price discovery mechanism; and
- levels of displayed liquidity.

The Impact Study would also attempt to determine whether there was an difference in the effects based on the presence of "market stress" for the particular security or securities generally. In this context, "stress" would be measured by unusual volumes or price movement.

While the SHO Pilot Project had found no evidence that the results of the Pilot Project would not be applicable to smaller or less liquid securities, the Impact Study would attempt to confirm whether this finding was applicable in the Canadian context. If the Impact Study found that the effect of the approved amendments varied significantly due to the liquidity of the issuers or if the Impact Study found deterioration in the rate of trade settlement, RS would then consider whether other additional amendments should be made to UMIR to incorporate comparable provisions from Regulation SHO (such as locate requirements, fail lists and close-out requirements.) Depending upon the findings of the Impact Study, RS may also consider whether price restrictions on short sales should be re-introduced for certain types of illiquid securities.

The Impact Study would also provide an opportunity to track the relationship between information provided in the CSPR with that provided in the periodic trading summaries of short selling activity on marketplaces. If the Impact Study concluded that the trading summaries were an appropriate replacement for the CSPR, the Board would establish an effective date for the repeal of Rule 10.10.

Staff of RS considered a proposal for a "pilot project" (which would have provided an exemption from the price restrictions on a short sale for a range of securities including both highly-liquid and "illiquid" securities prior to repealing the price restrictions for all securities) as an alternative to the Impact Study. The TSXV currently does not support the "short exempt" marker. While the TSXV has indicated an intention to introduce the "short exempt" marker, the TSXV has not publicly announced a timetable for its introduction. The introduction of a pilot project would either have to be delayed until the TSXV had implemented the "short exempt" marker or would have necessitated significant programming changes by TSXV and possibly Participants accessing that marketplace in order to enable the price restrictions to be suspended for a subset of TSXV securities. As such, in the opinion of RS staff, a pilot project could not be implemented in a cost efficient and timely manner (as compared to the repeal of price restrictions on short sales of all securities accompanied by an impact study).

Specific Matters on Which Comment is Requested

Comment is requested on all aspects of the Proposed Amendments, including comments on policy alternatives that may be available to the implementation of the Proposed Amendments. However, comment is specifically requested on the following matters:

Repeal of Price Restrictions on Short Sales

The Proposed Amendments contemplate the repeal of all price restrictions on the execution of a short sale. Based on the results of the Pilot Project in the US which commenced on May 2, 2005, the OEA indicated that there was evidence of increased volatility in connection with less liquid securities. Implementation of the Proposed Amendments would be accompanied by the Impact Study to evaluate the effect of the repeal of price restrictions on the short sale of illiquid securities. Depending upon the findings of the Impact Study, RS may consider whether price restrictions on short sales should be re-introduced for certain types of illiquid securities. RS believes that its existing system alerts and procedures will allow RS to monitor abusive shorting for manipulative effects during the period of the Impact Study. An alternative approach would involve a "pilot project" under which a number of illiquid securities would be exempt from price restrictions on short sales while retaining the restrictions on a control group of illiquid securities.

1. *Should RS consider a "pilot project" to evaluate the effect of the repeal of price restrictions on the short sale of illiquid securities rather than the outright repeal of all price restrictions?*

2. *If RS were to undertake a pilot project, what should be the duration of the pilot project?*

3. *How should a pilot project be implemented for TSXV-listed securities if the TSXV does not support the "short exempt" marker?*

4. *What costs or administrative burdens would marketplaces, Participants and Access Persons incur in connection with a pilot project?*

Harmonization with Requirements in the United States

The SEC has adopted, or proposed to adopt, a number of provisions regarding short sales and failed trades including:

- mandatory locate requirements prior to the execution of a short sale;
- maintenance of a "fails list";
- "close-out" requirements for securities on the fails list; and
- "documentation" requirements for sales indicated as from a "long" position.

RS has not proposed similar measures based on the results of empirical studies in Canada indicating that the rates of trade failure are significantly lower than in the US and there is no connection between short sales and trade failure in Canada (i.e., a short sale does not involve a higher risk of trade failure).

5. *Would there be any specific costs or benefits associated with UMIR adopting provisions comparable to those in the United States related to short sales (such as a mandatory locate requirement, and documentation requirements for sales from a long position) and/or failed trades (such as the maintenance of a fails list and close-out requirements for securities on the fails list)?*

Appendices

- Appendix "A" sets out the text of the Proposed Amendments to the Rules and Policies respecting short sales and failed trades; and
- Appendix "B" contains the text of the relevant provisions of the Rules and Policies as they would read on the adoption of the Proposed Amendments. Appendix "B" also contains a marked version of the current provisions highlighting the changes introduced by the Proposed Amendments.

Questions / Further Information

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Appendix "A"

Provisions Respecting Short Sales and Failed Trades

The Universal Market Integrity Rules are hereby amended as follows:

1. Rule 1.1 is amended by:

   (a) adding the following definition of "failed trade":

   "failed trade" means a trade resulting from the execution of an order entered by a Participant or Access Person on a marketplace on behalf of an account and

   (a) in the case of a sale, other than a short sale, the account failed to make available securities in such number and form;

   (b) in the case of a short sale, the account failed to make:

   (i) available securities in such number and form, or

   (ii) arrangements with the Participant or Access Person to borrow securities in such number and form; and

   (c) in the case of a purchase, the account failed to make available monies in such amount,

   as to permit the settlement of the trade at the time on the date contemplated on the execution of the trade provided a trade shall be considered a "failed trade" irrespective of whether the trade has been settled in accordance with the rules or requirements of the clearing agency.

   (b) inserting at the beginning of clause (b) in the definition of "short sale" the phrase "owns directly or through an agent or trustee another security that is convertible or exchangeable into that security and"; and

   (c) adding the following definition of "Short Sale Ineligible Security":

   "Short Sale Ineligible Security" means a security or a class of securities that has been designated by a Market Regulator to be a security in respect of which an order that on execution would be a short sale may not be entered on a marketplace for a particular trading day or trading days.

2. Rule 3.1 is deleted and the following substituted:

   A Participant or Access Person shall not enter an order to sell a security on a marketplace that on execution would be a short sale:

   (a) unless the order is marked as a short sale in accordance with subclause 6.2(1)(b)(viii); or

   (b) if the security is a Short Sale Ineligible Security at the time of the entry of the order.

3. Amending clause (b) of subsection (1) of Rule 6.2 by:

   (a) deleting in subclause (viii) the phrase "which is subject to the price restriction under subsection (1) of Rule 3.1"; and

   (b) deleting subclause (ix).

4. Adding the following as Rule 7.11

   7.11 Failed Trades

   (1) If within ten trading days following the date for settlement contemplated on the execution of a failed trade, the account:

   (a) in the case of a sale, other than a short sale, that failed to make available securities in such number and form;

(b) in the case of a short sale, that failed to make:

(i) available securities in such number and form, or

(ii) arrangements with the Participant or Access Person to borrow securities in such number and form; and

(c) in the case of a purchase, that failed to make available monies in such amount,

as to permit the settlement of the trade at the time on the date contemplated on the execution of the trade has not made available such securities or monies or has not made arrangements for the borrowing of the securities, as the case may be, the Participant or Access Person that entered the order on a marketplace shall give notice to the Market Regulator at such time and in such form and manner and containing such information as may be required by the Market Regulator.

(2) If a Participant or Access Person is required to provide notice of a failed trade to the Market Regulator in accordance with subsection (1), the Participant or Access Person shall, upon the account making available the applicable securities or monies or making arrangement for the borrowing of the applicable securities, give notice to the Market Regulator at such time and in such form and manner and containing such information as may be required by the Market Regulator.

5. Adding the following as Rule 7.12

7.12 Variation and Cancellation of Trades

No trade executed on a marketplace shall, subsequent to the execution of the trade, be:

(a) cancelled; or

(b) varied with respect to:

(i) the price of the trade,

(ii) the volume of the trade, or

(iii) the date for settlement of the trade,

except:

(c) by the Market Regulator in accordance with the Rules; or

(d) with notice to the Market Regulator immediately following the variation or cancellation of the trade in such form and manner as may be required by the Market Regulator and such notice shall be given, if the variation or cancellation is made:

(i) prior to the settlement of the trade, by:

(A) the marketplace on which the trade was executed, or

(B) the clearing agency through which the trade is or was to be cleared and settled, and

(ii) after the settlement of the trade, by each Participant and Access Person that is a party to the trade.

6. Rule 10.9 is amended by adding the following as clause (e.1):

(e.1) cancel any trade that is a failed trade in respect of which notice has been, or should have been, provided to the Market Regulator in accordance with Rule 7.11 if, in the opinion of such Market Integrity Official:

(i) the account has failed to diligently pursue making available the applicable securities or monies or making arrangement for the borrowing of the applicable securities,

(ii) there is no reasonable prospect that the failure will be rectified pursuant to the rules, requirements or procedures of the marketplace on which the trade was executed or the clearing agency through which the trade was to be settled, and

(iii) the cancellation of the trade is appropriate in the interest of a fair and orderly market.

7. Rule 10.10 is repealed.

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

1. Policy 1.1 is amended by adding the following as Part 3:

Part 3 – Definition of "Short Sale"

Under the definition of "short sale", a seller shall be considered to own a security under various circumstances including if the seller:

- owns directly or through an agent or trustee another security that is convertible or exchangeable into that security and has tendered such other security for conversion or exchange or has issued irrevocable instructions to convert or exchange such other security;
- has an option to purchase the security and has exercised the option; or
- has a right or warrant to subscribe for the security and has exercised the right or warrant.

In each of these circumstances, the seller must have taken all steps necessary to become legally entitled to the security, including having:

- made any payment required;
- submitted to the appropriate person any required forms or notices; and
- submitted, if applicable, to the appropriate person any certificates for securities to be converted, exchanged or exercised.

2. Part 1 of Policy 2.1 is amended by deleting the second paragraph and substituting the following:

Participants and Access Persons who intentionally organize their business and affairs with the intent or for the purpose of avoiding the application of a Requirement may be considered to have engaged in behaviour that is a failure to conduct business openly and fairly or in accordance with just and equitable principles of trade. For example, the Market Regulator considers that a person who is under an obligation to enter orders on a marketplace who "uses" another person to make a trade off of a marketplace (in circumstances where an "off-market exemption" is not available) to be violating the requirement to conduct business openly and fairly or in accordance with just and equitable principles of trade. Similarly, the Market Regulator considers that a person who enters into a transaction for the purpose of rectifying a failure in connection with a failed trade prior to the time that a report must be filed in accordance with Rule 7.11 and such person knows or ought reasonably to know that such transaction will result in a failed trade to be engaging in "re-aging" for the purpose of avoiding reporting obligations contrary to the requirement to conduct business openly and fairly or in accordance with just and equitable principles of trade.

3. Policy 3.1 is deleted.

Appendix "B"

Text of Rules and Policies to Reflect Proposed Amendments Respecting Short Sales and Failed Trades

Text of Provisions of Following Adoption of Proposed Amendments	Text of Current Provisions Marked to Reflect Adoption of Proposed Amendments
1.1 Definitions **"failed trade"** means a trade resulting from the execution of an order entered by a Participant or Access Person on a marketplace on behalf of an account and (a) in the case of a sale, other than a short sale, the account failed to make available securities in such number and form; (b) in the case of a short sale, the account failed to make: (i) available securities in such number and form, or (ii) arrangements with the Participant or Access Person to borrow securities in such number and form; and (c) in the case of a purchase, the account failed to make available monies in such amount, as to permit the settlement of the trade at the time on the date contemplated on the execution of the trade provided a trade shall be considered a "failed trade" irrespective of whether the trade has been settled in accordance with the rules or requirements of the clearing agency.	**1.1 Definitions** **"failed trade"** means a trade resulting from the execution of an order entered by a Participant or Access Person on a marketplace on behalf of an account and (a) in the case of a sale, other than a short sale, the account failed to make available securities in such number and form; (b) in the case of a short sale, the account failed to make: (i) available securities in such number and form, or (ii) arrangements with the Participant or Access Person to borrow securities in such number and form; and (c) in the case of a purchase, the account failed to make available monies in such amount, as to permit the settlement of the trade at the time on the date contemplated on the execution of the trade provided a trade shall be considered a "failed trade" irrespective of whether the trade has been settled in accordance with the rules or requirements of the clearing agency.
"short sale" means a sale of a security, other than a derivative instrument, which the seller does not own either directly or through an agent or trustee and, for this purpose, a seller shall be considered to own a security if the seller: (a) has purchased or has entered into an unconditional contract to purchase the security, but has not yet received delivery of the security; (b) owns directly or through an agent or trustee another security that is convertible or exchangeable into that security and has tendered such other security for conversion or exchange or has issued irrevocable instructions to convert or exchange such other security; (c) has an option to purchase the security and has exercised the option; (d) has a right or warrant to subscribe for the security and has exercised the right or warrant; or (e) is making a sale of a security that trades on a when issued basis and the seller has entered into a contract to purchase such security which is binding on both parties and subject only to the condition of issuance of distribution of the security, but a seller shall be considered not to own a security if:	**"short sale"** means a sale of a security, other than a derivative instrument, which the seller does not own either directly or through an agent or trustee and, for this purpose, a seller shall be considered to own a security if the seller: (a) has purchased or has entered into an unconditional contract to purchase the security, but has not yet received delivery of the security; (b) owns directly or through an agent or trustee another security that is convertible or exchangeable into that security and has tendered such other security for conversion or exchange or has issued irrevocable instructions to convert or exchange such other security; (c) has an option to purchase the security and has exercised the option; (d) has a right or warrant to subscribe for the security and has exercised the right or warrant; or (e) is making a sale of a security that trades on a when issued basis and the seller has entered into a contract to purchase such security which is binding on both parties and subject only to the condition of issuance of distribution of the security, but a seller shall be considered not to own a security if:

Text of Provisions of Following Adoption of Proposed Amendments	Text of Current Provisions Marked to Reflect Adoption of Proposed Amendments
(f) the seller has borrowed the security to be delivered on the settlement of the trade and the seller is not otherwise considered to own the security in accordance with this definition; (g) the security held by the seller is subject to any restriction on sale imposed by applicable securities legislation or by an Exchange or QTRS as a condition of the listing or quoting of the security; or (h) the settlement date or issuance date pursuant to: (i) an unconditional contract to purchase, (ii) a tender of a security for conversion or exchange, (iii) an exercise of an option, or (iv) an exercise of a right or warrant would, in the ordinary course, be after the date for settlement of the sale.	(f) the seller has borrowed the security to be delivered on the settlement of the trade and the seller is not otherwise considered to own the security in accordance with this definition; (g) the security held by the seller is subject to any restriction on sale imposed by applicable securities legislation or by an Exchange or QTRS as a condition of the listing or quoting of the security; or (h) the settlement date or issuance date pursuant to: (i) an unconditional contract to purchase, (ii) a tender of a security for conversion or exchange, (iii) an exercise of an option, or (iv) an exercise of a right or warrant would, in the ordinary course, be after the date for settlement of the sale.
"Short Sale Ineligible Security" means a security or class of securities that has been designated by a Market Regulator to be a security in respect of which an order that on execution would be a short sale may not be entered on a marketplace for a particular trading day or trading days.	**"Short Sale Ineligible Security"** means a security or a class of securities that has been designated by a Market Regulator to be a security in respect of which an order that on execution would be a short sale may not be entered on a marketplace for a particular trading day or trading days.
3.1 Restrictions on Short Selling A Participant or Access Person shall not enter an order to sell a security on a marketplace that on execution would be a short sale: (a) unless the order is marked as a short sale in accordance with subclause 6.2(1)(b)(viii); or (b) if the security is a Short Sale Ineligible Security at the time of the entry of the order.	**3.1 Restrictions on Short Selling** ~~(1) Except as otherwise provided, a~~A Participant or Access Person shall not enter an order to sell ~~make a short sale of a~~ a security on a marketplace that on execution would be a short sale: ~~unless the price is at or above the last sale price.~~ (a) unless the order is marked as a short sale in accordance with subclause 6.2(1)(b)(viii); or (b) if the security is a Short Sale Ineligible Security at the time of the entry of the order.
	~~(2) A short sale of a security may be made on a marketplace at a price below the last sale price if the sale is:~~ ~~(a) a Program Trade in accordance with Marketplace Rules;~~ ~~(b) made in furtherance of the applicable Market Maker Obligations in accordance with the Marketplace Rules;~~ ~~(c) for an arbitrage account and the seller knows or has reasonable grounds to believe that an offer enabling the seller to cover the sale is then~~

Text of Provisions of Following Adoption of Proposed Amendments	Text of Current Provisions Marked to Reflect Adoption of Proposed Amendments
	~~available and the seller intends to accept such offer immediately;~~ ~~(d) for the account of a derivatives market maker and is made:~~ ~~(i) in accordance with the market making obligations of the seller in connection with the security or a related security, and~~ ~~(ii) to hedge a pre-existing position in the security or a related security;~~ ~~(e) the first sale of the security on any marketplace made on an ex-dividend, ex-rights or ex-distribution basis and the price of the sale is not less than the last sale price reduced by the cash value of the dividend, right or other distribution; or~~ ~~(f) the result of:~~ ~~(i) a Call Market Order,~~ ~~(ii) a Market-on-Close Order,~~ ~~(iii) a Volume-Weighted Average Price Order,~~ ~~(iv) a Basis Order, or~~ ~~(v) a Closing Price Order; or~~ ~~(g) a trade in an Exchange-traded Fund.~~
6.2 Designations and Identifiers (1) Each order entered on a marketplace shall contain: … (b) a designation acceptable to the Market Regulator for the marketplace on which the order is entered, if the order is: (i) a Call Market Order, (ii) an Opening Order, (iii) a Market-on-Close Order, (iv) a Special Terms Order, (v) a Volume-Weighted Average Price Order, (v.1) a Basis Order, (v.2) a Closing Price Order, (vi) part of a Program Trade, (vii) part of an intentional cross or internal	**6.2 Designations and Identifiers** (1) Each order entered on a marketplace shall contain: … (b) a designation acceptable to the Market Regulator for the marketplace on which the order is entered, if the order is: (i) a Call Market Order, (ii) an Opening Order, (iii) a Market-on-Close Order, (iv) a Special Terms Order, (v) a Volume-Weighted Average Price Order, (v.1) a Basis Order, (v.2) a Closing Price Order, (vi) part of a Program Trade,

Text of Provisions of Following Adoption of Proposed Amendments	Text of Current Provisions Marked to Reflect Adoption of Proposed Amendments
cross, (viii) a short sale, (ix) *[repealed]* (x) a non-client order, (xi) a principal order, (xii) a jitney order, (xiii) for the account of a derivatives market maker, (xiv) for the account of a person who is an insider of the issuer of the security which is the subject of the order, (xv) for the account of a person who is a significant shareholder of the issuer of the security which is the subject of the order, or (xvi) of a type for which the Market Regulator may from time to time require a specific or particular designation.	(vii) part of an intentional cross or internal cross, (viii) a short sale ~~which is subject to the price restriction under subsection (1) of Rule 3.1~~, ~~(ix) a short sale which is exempt from the price restriction on a short sale in accordance with subsection (2) of Rule 3.1,~~ (x) a non-client order, (xi) a principal order, (xii) a jitney order, (xiii) for the account of a derivatives market maker, (xiv) for the account of a person who is an insider of the issuer of the security which is the subject of the order, (xv) for the account of a person who is a significant shareholder of the issuer of the security which is the subject of the order, or (xvi) of a type for which the Market Regulator may from time to time require a specific or particular designation.
7.11 Failed Trades (1) If within ten trading days following the date for settlement contemplated on the execution of a failed trade, the account: (a) in the case of a sale, other than a short sale, that failed to make available securities in such number and form; (b) in the case of a short sale, that failed to make: (i) available securities in such number and form, or (ii) arrangements with the Participant or Access Person to borrow securities in such number and form; and (c) in the case of a purchase, that failed to make available monies in such amount, as to permit the settlement of the trade at the time on the date contemplated on the execution of the trade has not made available such securities or monies or has not made arrangements for the	**<u>7.11 Failed Trades</u>** <u>(1) If within ten trading days following the date for settlement contemplated on the execution of a failed trade, the account:</u> <u>(a) in the case of a sale, other than a short sale, that failed to make available securities in such number and form;</u> <u>(b) in the case of a short sale, that failed to make:</u> <u>(i) available securities in such number and form, or</u> <u>(ii) arrangements with the Participant or Access Person to borrow securities in such number and form; and</u> <u>(c) in the case of a purchase, that failed to make available monies in such amount,</u> <u>as to permit the settlement of the trade at the time on the date contemplated on the execution of the trade has not made available such securities or monies or has not made arrangements for the</u>

Text of Provisions of Following Adoption of Proposed Amendments	Text of Current Provisions Marked to Reflect Adoption of Proposed Amendments
borrowing of the securities, as the case may be, the Participant or Access Person that entered the order on a marketplace shall give notice to the Market Regulator at such time and in such form and manner and containing such information as may be required by the Market Regulator.	borrowing of the securities, as the case may be, the Participant or Access Person that entered the order on a marketplace shall give notice to the Market Regulator at such time and in such form and manner and containing such information as may be required by the Market Regulator.
(2) If a Participant or Access Person is required to provide notice of a failed trade to the Market Regulator in accordance with subsection (1), the Participant or Access Person shall, upon the account making available the applicable securities or monies or making arrangement for the borrowing of the applicable securities, give notice to the Market Regulator at such time and in such form and manner and containing such information as may be required by the Market Regulator.	(2) If a Participant or Access Person is required to provide notice of a failed trade to the Market Regulator in accordance with subsection (1), the Participant or Access Person shall, upon the account making available the applicable securities or monies or making arrangement for the borrowing of the applicable securities, give notice to the Market Regulator at such time and in such form and manner and containing such information as may be required by the Market Regulator.
7.12 Variation and Cancellation of Trades No trade executed on a marketplace shall, subsequent to the execution of the trade, be: (a) cancelled; or (b) varied with respect to: (i) the price of the trade, (ii) the volume of the trade, or (iii) the date for settlement of the trade, except: (c) by the Market Regulator in accordance with the Rules; or (d) with notice to the Market Regulator immediately following the variation or cancellation of the trade in such form and manner as may be required by the Market Regulator and such notice shall be given, if the variation or cancellation is made: (i) prior to the settlement of the trade, by: (A) the marketplace on which the trade was executed, or (B) the clearing agency through which the trade is or was to be cleared and settled, and (ii) after the settlement of the trade, by each Participant and Access Person that is a party to the trade.	**7.12 Variation and Cancellation of Trades** No trade executed on a marketplace shall, subsequent to the execution of the trade, be: (a) cancelled; or (b) varied with respect to: (i) the price of the trade, (ii) the volume of the trade, or (iii) the date for settlement of the trade, except: (c) by the Market Regulator in accordance with the Rules; or (d) with notice to the Market Regulator immediately following the variation or cancellation of the trade in such form and manner as may be required by the Market Regulator and such notice shall be given, if the variation or cancellation is made: (i) prior to the settlement of the trade, by: (A) the marketplace on which the trade was executed, or (B) the clearing agency through which the trade is or was to be cleared and settled, and (ii) after the settlement of the trade, by each Participant and Access Person that is a party to the trade.

Text of Provisions of Following Adoption of Proposed Amendments	Text of Current Provisions Marked to Reflect Adoption of Proposed Amendments
10.9 Power of Market Integrity Officials (1) A Market Integrity Official may, in governing trading in securities on the marketplace: … (e.1) cancel any trade that is a failed trade in respect of which notice has been, or should have been, provided to the Market Regulator in accordance with Rule 7.11 if, in the opinion of such Market Integrity Official: (i) the account has failed to diligently pursue making available the applicable securities or monies or making arrangement for the borrowing of the applicable securities, (ii) there is no reasonable prospect that the failure will be rectified pursuant to the rules, requirements or procedures of the marketplace on which the trade was executed or the clearing agency through which the trade was to be settled, and (iii) the cancellation of the trade is appropriate in the interest of a fair and orderly market; …	**10.9 Power of Market Integrity Officials** (1) A Market Integrity Official may, in governing trading in securities on the marketplace: … (e.1) cancel any trade that is a failed trade in respect of which notice has been, or should have been, provided to the Market Regulator in accordance with Rule 7.11 if, in the opinion of such Market Integrity Official: (i) the account has failed to diligently pursue making available the applicable securities or monies or making arrangement for the borrowing of the applicable securities, (ii) there is no reasonable prospect that the failure will be rectified pursuant to the rules, requirements or procedures of the marketplace on which the trade was executed or the clearing agency through which the trade was to be settled, and (iii) the cancellation of the trade is appropriate in the interest of a fair and orderly market; …
	~~**10.10 Report of Short Positions**~~ ~~(1) A Participant shall calculate, as of 15th day and as of the last day of each calendar month, the aggregate short position of each individual account in respect of each listed security and quoted security.~~ ~~(2) Unless a Participant maintains the account in which an Access Person has the short position in respect of a listed security or quoted security, the Access Person shall calculate, as of the 15th day and as of the last day of each calendar month, the aggregate short position of the Access Person in respect of each listed security and quoted security.~~ ~~(3) Unless otherwise provided, each Participant and Access Person required to file a report in accordance with subsection (1) or (2) shall file a report of the calculation with a Market Regulator in such form as may be required by the Market Regulator not later than two trading days following the date on which the calculation is to be made.~~
Policy 1.1 Definitions **Part 3 – Definition of "Short Sale"** Under the definition of "short sale", a seller shall be considered to own a security under various circumstances including if the seller:	**Policy 1.1 Definitions** **Part 3 – Definition of "Short Sale"** Under the definition of "short sale", a seller shall be considered to own a security under various circumstances including if the seller:

Text of Provisions of Following Adoption of Proposed Amendments	Text of Current Provisions Marked to Reflect Adoption of Proposed Amendments
• owns directly or through an agent or trustee another security that is convertible or exchangeable into that security and has tendered such other security for conversion or exchange or has issued irrevocable instructions to convert or exchange such other security; • has an option to purchase the security and has exercised the option; or • has a right or warrant to subscribe for the security and has exercised the right or warrant. In each of these circumstances, the seller must have taken all steps necessary to become legally entitled to the security, including having: • made any payment required; • submitted to the appropriate person any required forms or notices; and • submitted, if applicable, to the appropriate person any certificates for securities to be converted, exchanged or exercised.	• owns directly or through an agent or trustee another security that is convertible or exchangeable into that security and has tendered such other security for conversion or exchange or has issued irrevocable instructions to convert or exchange such other security; • has an option to purchase the security and has exercised the option; or • has a right or warrant to subscribe for the security and has exercised the right or warrant. In each of these circumstances, the seller must have taken all steps necessary to become legally entitled to the security, including having: • made any payment required; • submitted to the appropriate person any required forms or notices; and • submitted, if applicable, to the appropriate person any certificates for securities to be converted, exchanged or exercised.
POLICY 2.1 – Just and Equitable Principles **Part 1 – Examples of Unacceptable Activity** … Participants and Access Persons who intentionally organize their business and affairs with the intent or for the purpose of avoiding the application of a Requirement may be considered to have engaged in behaviour that is a failure to conduct business openly and fairly or in accordance with just and equitable principles of trade. For example, the Market Regulator considers that a person who is under an obligation to enter orders on a marketplace who "uses" another person to make a trade off of a marketplace (in circumstances where an "off-market exemption" is not available) to be violating the requirement to conduct business openly and fairly or in accordance with just and equitable principles of trade. Similarly, the Market Regulator considers that a person who enters into a transaction for the purpose of rectifying a failure in connection with a failed trade prior to the time that a report must be filed in accordance with Rule 7.11 and such person knows or ought reasonably to know that such transaction will result in a failed trade to be engaging in "re-aging" for the purpose of avoiding reporting obligations contrary to the requirement to conduct business openly and fairly or in accordance with just and equitable principles of trade. **…**	**POLICY 2.1 – Just and Equitable Principles** **Part 1 – Examples of Unacceptable Activity** … Participants and Access Persons who intentionally organize their business and affairs with the intent or for the purpose of avoiding the application of a Requirement may be considered to have engaged in behaviour that is ~~contrary to the~~ a failure to conduct business openly and fairly or in accordance with just and equitable principles of trade. For example, the Market Regulator considers that a person who is under an obligation to enter orders on a marketplace who "uses" another person to make a trade off of a marketplace (in circumstances where an "off-market exemption" is not available) to be violating the requirement to conduct business openly and fairly or in accordance with just and equitable principles of trade. Similarly, the Market Regulator considers that a person who enters into a transaction for the purpose of rectifying a failure in connection with a failed trade prior to the time that a report must be filed in accordance with Rule 7.11 and such person knows or ought reasonably to know that such transaction will result in a failed trade to be engaging in "re-aging" for the purpose of avoiding reporting obligations contrary to the requirement to conduct business openly and fairly or in accordance with just and equitable principles of trade. **…**

Text of Provisions of Following Adoption of Proposed Amendments	Text of Current Provisions Marked to Reflect Adoption of Proposed Amendments
	~~**Policy 3.1 Restrictions on Short Selling**~~ ~~**Part 1 – Entry of Short Sales Prior to the Opening**~~ ~~Prior to the opening of a marketplace on a trading day, a short sale may not be entered on that marketplace as a market order and must be entered as a limit order and have a limit price at or above the last sale price of that security as indicated in a consolidated market display (or at or above the previous day's close reduced by the amount of a dividend or distribution if the security will commence ex-trading on the opening).~~
	~~**Policy 3.1 – Restrictions on Short Selling**~~ ~~**Part 2 – Short Sale Price When Trading Ex-Distribution**~~ ~~When reducing the price of a previous trade by the amount of a distribution, it is possible that the price of the security will be between the trading increments. (For example, a stock at $10 with a dividend of $0.125 would have an ex-dividend price of $9.875. A short sale order could only be entered at $9.87 or $9.88.) Where such a situation occurs, the price of the short sale order should be set no lower than the next highest price. (In the example, the minimum price for the short sale would be $9.88, being the next highest price at which an order may be entered to the ex-dividend price of $9.875).~~ ~~In the case of a distribution of securities (other than a stock split) the value of the distribution is not determined until the security that is distributed has traded. (For example, if shareholders of ABC Co. receive shares of XYZ Co. in a distribution, an initial short sale of ABC on an ex-distribution basis may not be made at a price below the previous trade until XYZ Co. has traded and a value determined).~~ ~~Once a security has traded on an ex-distribution basis, the regular short sale rule applies and the relevant price is the previous trade.~~

13.1.5 TSX Request for Comments - Amendments to Remove Imbedded Opening and Closing Times from the TSX Rules

TORONTO STOCK EXCHANGE

REQUEST FOR COMMENTS

AMENDMENTS TO REMOVE IMBEDDED OPENING and CLOSING TIMES FROM THE RULES OF THE TORONTO STOCK EXCHANGE

The Board of Directors of TSX Inc. (TSX) has approved amendments (Amendments) to the Rules of the Toronto Stock Exchange (TSX Rules). The Amendments, shown as blacklined text, are attached at Schedule A. Discussion of the Amendments is provided in Parts I to III below.

The Amendments will be effective upon approval by the Ontario Securities Commission (Commission) following public notice and comment. Comments on the proposed amendments should be in writing and delivered no later than 30 days from the date of the publication of this Request for Comments to:

Deanna Dobrowsky
Legal Counsel, Market Policy & Structure
TSX Group Inc.
The Exchange Tower
130 King Street West, 3rd Floor
Toronto, Ontario M5X 1J2
Fax: (416) 947-4461
e-mail: deanna.dobrowsky@tsx.com

A copy should also be provided to:

Cindy Petlock
Manager, Market Regulation
Capital Markets Branch
Ontario Securities Commission
Suite 1903, Box 55
20 Queen Street West
Toronto, Ontario M5H 3S8
Fax: (416) 595-8940
e-mail: cpetlock@osc.gov.on.ca

Terms not defined in this Request for Comments are defined in the TSX Rules.

I. Proposed Change

The Amendments remove the imbedded opening and closing times of Toronto Stock Exchange (Exchange) from the TSX Rules and confirm that the TSX Board of Directors shall determine the opening and closing time of Sessions. Specific references to the Market-On-Close (MOC) operating hours are also being removed and replaced with generic references. The Amendments also include language that clarifies the Exchange's opening allocation process. TSX does not intend to change its trading hours at this time.

II. Rationale

The TSX Rules provide that unless otherwise changed by a resolution of the Board of Directors, the Exchange shall open its regular trading session at 9:30 a.m. ET and close at 4:00 p.m. ET. Removing these imbedded times will allow the TSX Board of Directors to make changes to the opening and closing times without formally amending the TSX Rules. TSX anticipates that this will shorten the implementation process to change the Exchange's opening or closing time by at least two months, as the change will not trigger a regulatory submission and will not necessitate a public comment period.

TSX does not currently intend to change the Exchange's trading hours. TSX will work with all stakeholders in the event that the Board determines that a change in trading hours would be beneficial. As with other significant changes, TSX will provide no less than 60 days notice to market participants before changing the Exchange's opening or closing time, and will consult with regulators such as the Commission and self-regulatory organizations such as Market Regulation Services Inc. and the Canadian Depository for Securities Limited before any announcements are made.

The Amendments also remove the imbedded MOC times from the TSX Rules. All relevant MOC times will be posted on the TSX website and Participating Organizations (POs) will be given at least 60 days notice of any change in MOC operating times. If the Amendments are approved, TSX will be able to change operating times for the MOC facility after notice to POs, but without submitting a formal rule change. This will shorten the implementation process for changing MOC operation times.

As competition among marketplaces intensifies globally and domestically, the TSX Rules must be flexible so that TSX can respond nimbly to competitive threats, while ensuring that marketplace participants have sufficient time to adapt to changes at the Exchange. We are cognizant of the growth in trading on the Exchange from international customers as well as the new trading demands that come with innovative product development at the client and PO level. These new trading demands may necessitate a shift in trading hours at the Exchange in the future. It will be beneficial for TSX to have the ability to make these changes after a minimum of 60 days' notice to our constituents, but without the additional delay and uncertainty that envelopes the formal amendment process for TSX Rules.

III. Description of the Amendments

Part 1 - Interpretation

Rule 1-101 is amended to add a new defined term - "closing time" - being the time fixed by the Board for the end of a Session. The definition of "MOC Book" in Rule 1-101 is being amended to delete the MOC operating times.

Part 3 - Governance of Trading Sessions

Rule 3-101(2) is revised to delete the imbedded trading hours for the Regular Session and Special Trading Session, and to clarify that the Board shall determine the opening time and closing time of Sessions.

Part 4 - Trading of Listed Securities

Rules 4-701(2)(c) and 2(d) are amended to delete the imbedded time references. Rule 4-701(2)(d) is also revised to confirm that any order that is entered in the two minutes preceding the opening time and that affects the Calculated Opening Price (COP), is guaranteed a fill at the opening. This new language merely confirms the manner in which the trading engine algorithm operates its opening allocation on the Exchange.

Rule 4-701(3)(c) is similarly amended to delete the imbedded time reference and to confirm that an order that is entered during the two minutes before the opening time which does not affect the COP will be eligible to participate in the opening but will not be guaranteed a fill at the opening. This new language confirms the existing opening allocation algorithm in the trading engine.

Rule 4-902(3) is amended throughout to delete imbedded MOC operating times (including MOC trading hours, imbalance broadcast and indicative calculated closing price broadcast) and replace them with references to the closing time, or with the statement that the applicable time is determined by the Exchange.

Policy 4-1003(2)(a) is amended to delete the imbedded times and replace them with a reference to the duration of the Special Trading Session.

Policy 4-1103(3)(f) is amended by deleting the imbedded times and replacing them with references to the Regular Session.

Part 5 - Clearing and Settlement of Trades in Listed Securities

Rule 5-303 is amended by replacing the imbedded time with a reference to the closing time.

IV. Impact

If the Amendments are approved, TSX will be able to change the opening and closing times of the Exchange without filing a rule amendment with the Commission and without undergoing a public comment period.

V. Other Marketplaces

The London Stock Exchange (LSE) does not need the approval of the Financial Services Authority (FSA) to change its trading hours. However, the LSE is required to provide notice to the FSA of a change to its trading hours. The terms "market hours", "market open", and "market close" are defined terms in the Rules of the London Stock Exchange, but there aren't any specific times imbedded in these definitions. Similarly, trading hours of the Australian Securities Exchange (ASX) are not included in its rules; and the ASX does not need the approval of the Australian Securities & Investments Commission to change its trading hours.

Rule 3-101(2) of the Canadian Trading and Quotation System Inc. (CNQ) states that, unless otherwise changed by resolution of the CNQ Board, the CNQ System shall be open for continuous trading from 8:00 a.m. to 6:00 p.m. CNQ Rule 11-101(c) provides that Rule 3 in its entirety applies to trading in CNQ's Alternative Market. Despite this rule, it appears that the trading hours for CNQ's Alternative Market have been set at 9:00 a.m. to 5:00 p.m.

Regular trading hours for the New York Stock Exchange (NYSE) and Nasdaq are imbedded in the respective exchange's trading rules.[1] It is our understanding that both the NYSE and Nasdaq would be required to make a rule filing with the Securities and Exchange Commission (SEC) to change their trading hours. Whether the trading hour change would require industry comment as part of the rule change would likely depend on the anticipated impact that such a change could have on the industry. We were not able to confirm our understanding directly with the SEC.

VI. Public Interest Assessment

We submit that in accordance with the Protocol for Commission Oversight of Toronto Stock Exchange Rule Proposals, the Amendments will be considered "public interest" in nature. The Amendments would, therefore, only become effective following public notice, a comment period and the approval of the Commission.

VII. Questions

Questions concerning this notice should be directed to Deanna Dobrowsky, Legal Counsel, Market Policy & Structure, TSX Group Inc. at (416) 947-4361.

[1] See NYSE Rule 51, and Nasdaq Rule 4617.

Schedule A

RULES (AS AT ~~JUNE 13,~~JULY~~,~~ 2007)	POLICIES
PART 1 - INTERPRETATION **1-101 Definitions (Amended)** (1) In all Exchange Requirements, unless the subject matter or context otherwise requires: (a) defined or interpreted in section 1 of the *Securities Act* has the meaning ascribed to it in that section; (b) defined in subsection 1(2) of the Regulation has the meaning ascribed to it in that subsection; (c) defined in subsection 1.1(3) of National Instrument 14-101 Definitions has the meaning ascribed to it in that subsection; (d) defined in subsection 1.1(2) of Ontario Securities Commission Rule 14-501 has the meaning ascribed to it in that subsection; and (e) defined or interpreted in UMIR has the meaning ascribed to it in that document. **Amended (April 1, 2002)** (2) In all Exchange Requirements, unless the subject matter or context otherwise requires: ****** **"closing time"** means the time fixed by the Board for the end of a Session. **Added [•]** ****** **"MOC Book"** means the electronic file that holds MOC Orders ~~entered between 7:00 a.m. and 4:10 p.m.~~. **Amended ~~(August 26, 2005)~~[•]** ******	
PART 3 – GOVERNANCE OF TRADING SESSIONS **DIVISION 1 – SESSIONS** **3-101 Date and Time of Sessions** (1) The Exchange shall be open for Sessions on each Business Day. (2) ~~Unless otherwise changed by a resolution of the Board~~The Board shall determine the opening time and closing time of Sessions.	

RULES (AS AT ~~JUNE 13,~~JULY, 2007)	POLICIES
~~(a) the Regular Session shall open at 9:30 a.m. and close at 4:00 p.m.; and~~ ~~(b) the Special Trading Session shall open at 4:15 p.m. and close at 5:00 p.m.~~ **Amended (~~March 10, 2006~~)[•]**	
******	******
PART 4 – TRADING OF LISTED SECURITIES	
DIVISION 7 – OPENING **4-701 Execution of Trades at the Opening** (1) Subject to Rule 4-702, listed securities shall open for trading at the opening time, and any opening trades shall be at the calculated opening price. (2) The following orders shall be completely filled at the opening: (a) market orders and better-priced limit orders for client accounts; (b) MBF orders; (c) market orders and better-priced limit orders for non-client accounts that were entered prior to ~~9:28 a.m.~~the two minutes immediately preceding the opening time; and (d) market orders and better-priced limit orders for non-client accounts that were entered ~~after 9:28 a.m.~~during the two minutes immediately preceding the opening time where the opening of the security is delayed pursuant to Rule 4-~~702.~~702, or where the order affected the Calculated Opening Price. Amended [•] (3) The following orders are eligible to participate in the opening but are not guaranteed to be filled: **(a) Repealed (August 7, 2001)** (b) limit orders at the opening price; and (c) market orders and better-priced limit orders for non-client accounts that were entered ~~after 9:28 a.m.~~during the two minutes immediately preceding the opening time and that did not affect the Calculated Opening Price, where the security opens at the opening time.	

RULES (AS AT ~~JUNE 13,~~JULY~~,~~ 2007)	POLICIES
Amended [•] ******	
DIVISION 9 – SPECIAL TRADING SESSION ******	
4-902 Market-On-Close (1) Eligible Securities MOC Orders may only be entered for MOC Securities. (2) Board Lots A MOC Order must be for a board lot or an integral multiple of a board lot of a MOC Security. (3) MOC Order Entry (a) MOC Market Orders may be entered, cancelled and modified in the MOC Book ~~from 7:00 a.m. until 3:40 p.m.~~ on each Trading Day beginning at a time determined by the Exchange and ending at the time the MOC Imbalance is broadcast. MOC Market Orders may not be cancelled or modified after ~~3:40 p.m~~the MOC Imbalance is broadcast. (b) The MOC Imbalance is calculated and broadcast ~~at 3:40 p.m.~~ on each Trading Day at a time determined by the Exchange. (c) The indicative calculated closing price for each MOC Security is broadcast ~~at 3:50 p.m.~~ on each Trading Day at a time determined by the Exchange. (d) Following the broadcast of the MOC Imbalance, until ~~4:00 p.m.~~the closing time on each Trading Day, MOC Limit Orders may be entered in the MOC Book on the contra side of the MOC Imbalance. MOC Limit Orders may be cancelled until ~~4:00 p.m~~the closing time. (e) In the event of a delay of the Closing Call for a MOC Security, MOC Limit Orders may be entered in the MOC Book for such security on the contra side of the MOC Imbalance ~~between 4:00 p.m. and 4:10 p.m~~for a period of time determined by the Exchange. MOC Limit Orders may not be cancelled during this time period. Amended [•] (4) Closing Call (a) The Closing Call shall occur on each Trading Day at ~~4:00 p.m~~the closing time. The Closing	

RULES (AS AT ~~JUNE 13,~~JULY, 2007)	POLICIES
Call in a MOC Security shall be delayed for a period of ~~ten minutes (and therefore occur at 4:10 p.m.)~~time determined by the Exchange in the event that the price that would be the calculated closing price for the MOC Security exceeds the volatility parameters determined by the Exchange. The Exchange will forthwith broadcast a message identifying the MOC Security that is subject to the delay. (b) In the event that the price that would be the calculated closing price for a MOC Security exceeds the closing price acceptance parameters determined by the Exchange at ~~4:10 p.m.~~the end of the delay period set out in Rule 4-902(4)(a), the calculated closing price for the MOC Security will be the price at which most shares will trade, leaving the least imbalance, where the price does not exceed the closing price acceptance parameters determined by the Exchange for such security. **Amended [•]** ******	
DIVISION 10 – PROGRAM TRADING ******	
4-1003 Offsetting Orders on Expiry Orders in listed securities that offset an expiring Index derivatives position, or that substitute an equities position for an expiring Index derivatives position, shall be entered as prescribed by the Exchange.	**4-1003 Offsetting Orders on Expiry** (1) Definition of Program Trading for Must-Be-Filled Orders For purposes of Rule 4-1003, a program trade is a simultaneous trade undertaken on the expiry date of an option or future in listed securities comprising at least 70 percent of the component share weighting of an Index where such trade offsets a per-existing position in a future or an option the underlying interest of which is the Index. (2) Must-Be-Filled Order Reporting Requirements The following requirements apply to Must-Be-Filled Orders: (a) *Entry of Orders* – A Must-Be-Filled Order shall be entered on the day prior to the expiry date (normally a Thursday) ~~between 4:30 and 5:30 p.m.~~during the Special Trading Session or at such other times as may be required or permitted by the Exchange (the "reporting time"). An order for a program trade may be entered at a time other than the reporting time only with the consent of the Exchange. A Must-Be-Filled Order may be cancelled prior to the end of the reporting time through normal cancellation and correction procedures. After the end of the reporting time,

RULES (AS AT ~~JUNE 13~~,JULY, 2007)	POLICIES
	each Must-Be-Filled Order is committed and may be withdrawn from the trading system only with the consent of the Exchange. The Exchange may release a ticker notice regarding material imbalances in orders for a particular listed security after the end of the reporting time. (b) *Prearranged Trades* – A Participating Organization with both sides of a program trade arranged may enter the orders at a time other than during the reporting time. The trading system will seek out such orders and will cross them automatically where possible. (c) *Automatic matching* – The trading system will automatically match all program trades, market orders and better-priced limit orders where possible. Any imbalance after matching of these orders will be included in the regular opening following the normal allocation rules and receive the calculated opening price. Market orders and better-priced limit orders will be filled first against an imbalance of large program trades.
DIVISION 11 — SPECIAL TERMS ******	
4-1103 Exchange for Physicals and Contingent Option Trades Orders which are conditional upon a simultaneous trade in a derivative on another exchange shall be special terms trades and shall be traded in accordance with the prescribed procedures and conditions.	**4-1103 Exchange for Physicals and Contingent Option Trades** (1) Application This Policy applies to each person who has been granted trading access to the Exchange and who seeks to enter an order on the Exchange for a listed security which is contingent upon the execution of one or more trades in an option on the Montreal Exchange or who seeks to exchange an index futures contract that is listed for trading on the Exchange for the equivalent number of listed securities underlying the futures contract (including an equivalent number of index participation units) on a contingent basis. (2) Procedure for Contingent Option Trade If a person to whom this Policy applies seeks to enter an order on the Exchange for a listed security which is contingent upon the execution of one or more trades in an options market, the following rules shall apply: (a) the trade in the listed security and the offsetting option trades must be for the same account;

RULES (AS AT ~~JUNE 13~~,JULY, 2007)	POLICIES
	(b) the option portion of the trade must be approved by a floor governor or other exchange official of the stock exchange on which the option is listed and such approval shall be evidenced by the initials of the governor or official on the options trade ticket; (c) the options trade ticket shall be time stamped; (d) the person shall telephone Trading and Client Services of the Exchange at (416) 947-4440 and provide the details of the contingent trade including the name of the person with trading access to the Exchange with whom the contingent trade has been made; (e) the trade in the listed security must be within the existing market for the listed security on the Exchange at the time of the telephone call to Trading and Client Services; (f) a copy of the options trade ticket as initialled by a floor governor or exchange official and time stamped shall be provided by facsimile transmission to Trading and Client Services at (416) 947-4280 within ten minutes following the time stamp on the ticket; and (g) provided the trade has been made and reported in accordance with the above rules, the Exchange shall manually execute the trade in the listed security as a special terms trade with the marker "MS" effective as of the time stamped on the option trade ticket. (3) Procedure for Exchange for Physicals If a person to whom this Policy applies seeks to exchange a futures contract for the equivalent number of listed securities underlying the futures contract (including an equivalent number of units of the applicable Index Participation Fund or mutual fund), the following provisions shall apply: (a) the trade in the listed security and the trade in the futures contract must be for the same account; (b) the equities component may be made as a cross or as a trade between persons with trading access on the Exchange; (c) the futures portion of the trade must be approved by a floor governor or other exchange official of the stock exchange on which the future is listed and such

RULES (AS AT ~~JUNE 13,~~JULY~~,~~ 2007)	POLICIES
	approval shall be evidenced by the initials of the governor or official on the futures trade ticket; (d) the futures trade ticket shall be time stamped; (e) the person shall telephone Trading and Client Services of the Exchange at (416) 947-4440 and provide the details of the exchange including the name of the person with trading access to the Exchange with whom the exchange has been made; (f) the trade in the listed securities made ~~from 9:30 a.m. to 4:00 p.m.~~during the Regular Session will be at the bid price of the listed securities on the Exchange at the time of the telephone call to Trading and Client Services and the trade in listed securities made ~~from 4:00 p.m. to 4:15 p.m.~~after the end of the Regular Session will be at the last sale price of the listed securities on the Exchange provided that where the last sale price is outside of the closing quotes for any listed security the price for that listed security shall be the bid or offer which is closest to the last sale price; **Amended [•]** ******
PART 5 – CLEARING AND SETTLEMENT OF TRADES IN LISTED SECURITIES	
******	
DIVISION 3 – CLOSING OUT CONTRACTS ******	
5-303 Failed Trade in Rights, Warrants and Instalment Receipts (1) Notwithstanding Rule 5-301, should fail positions in rights, warrants or installment receipts exist on the expiry or payment date, purchasing Participating Organizations have the option of demanding delivery of the securities into which the rights, warrants or installment receipts are exercisable, any additional subscription privilege, and any subscription fee payable to a Participating Organization, that may be available, such demand shall be made before ~~4:00 p.m.~~the closing time on the expiry date.	

RULES (AS AT ~~JUNE 13,~~JULY, 2007)	POLICIES
Amended [•] ******	

13.1.6 MFDA Sets Date for Kenneth Breckenridge Hearing in Toronto, Ontario

NEWS RELEASE
For immediate release

MFDA SETS DATE FOR
KENNETH BRECKENRIDGE HEARING
IN TORONTO, ONTARIO

September 5, 2007 (Toronto, Ontario) – The Mutual Fund Dealers Association of Canada ("MFDA") commenced a disciplinary proceeding in respect of Kenneth Breckenridge by Notice of Hearing dated June 22, 2007.

As specified in the Notice of Hearing, the first appearance in this proceeding took place today at 10:00 a.m. (Eastern) before a three-member Hearing Panel of the MFDA Central Regional Council.

The commencement of the hearing of this matter on the merits has been scheduled to take place before a Hearing Panel of the Central Regional Council on Wednesday, October 31, 2007 at 10:00 a.m. (Eastern) in the Hearing Room located at the offices of the MFDA at 121 King Street West, Suite 1000, Toronto, Ontario, or as soon thereafter as the hearing can be held.

The hearing will be open to the public, except as may be required for the protection of confidential matters.

A copy of the Notice of Hearing is available on the MFDA web site at www.mfda.ca.

The Mutual Fund Dealers Association of Canada is the self-regulatory organization for Canadian mutual fund dealers. The MFDA regulates the operations, standards of practice and business conduct of its 162 members and their approximately 75,000 Approved Persons with a mandate to protect investors and the public interest.

For further information, please contact:
Yvette MacDougall
Hearings Coordinator
(416) 943-4606 or ymacdougall@mfda.ca

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