The Ontario Securities Commission

OSC Bulletin

July 16, 2010

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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

July 16, 2010

CURRENT PROCEEDINGS

BEFORE

ONTARIO SECURITIES COMMISSION

- -

Unless otherwise indicated in the date column, all hearings will take place at the following location:

The Harry S. Bray Hearing Room
Ontario Securities Commission
Cadillac Fairview Tower
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Toronto, Ontario
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Patrick J. LeSage	—	PJL
Carol S. Perry	—	CSP
Charles Wesley Moore (Wes) Scott	—	CWMS

SCHEDULED OSC HEARINGS

July 19, 2010 11:00 a.m.	**Paladin Capital Markets Inc., John David Culp and Claudio Fernando Maya** s. 127 C. Price in attendance for Staff Panel: JDC
July 21, 2010 2:00 p.m.	**York Rio Resources Inc., Brilliante Brasilcan Resources Corp., Victor York, Robert Runic, George Schwartz, Peter Robinson, Adam Sherman, Ryan Demchuk, Matthew Oliver, Gordon Valde and Scott Bassingdale** s. 127 H. Craig in attendance for Staff Panel: MGC
July 21, 2010 2:00 p.m.	**Brilliante Brasilcan Resources Corp., York Rio Resources Inc., Brian W. Aidelman, Jason Georgiadis, Richard Taylor and Victor York** s. 127 H. Craig in attendance for Staff Panel: MGC
August 4-6, 2010 October 4-8, 2010 October 13-15, 2010 10:00 a.m.	**Sextant Capital Management Inc., Sextant Capital GP Inc., Otto Spork, Robert Levack and Natalie Spork** s. 127 T. Center in attendance for Staff Panel: JDC/CSP

August 10-13, 2010 10:00 a.m.	**Robert Joseph Vanier (a.k.a. Carl Joseph Gagnon)** s. 127 S. Horgan in attendance for Staff Panel: JEAT/PLK
August 13, 2010 10:00 a.m.	**Axcess Automation LLC, Axcess Fund Management, LLC, Axcess Fund, L.P., Gordon Alan Driver and David Rutledge, Steven M. Taylor and International Communication Strategies** s. 127 Y. Chisholm in attendance for Staff Panel: TBA
August 16, 2010 2:30 p.m.	**Albert Leslie James, Ezra Douse and Dominion Investments Club Inc.** s. 127 and 127.1 H. Daley in attendance for Staff Panel: TBA
September 1, 2010 1:00 p.m.	**Christina Harper, Howard Rash, Michael Schaumer, Elliot Feder, Vadim Tsatskin, Oded Pasternak, Alan Silverstein, Herbert Groberman, Allan Walker, Peter Robinson, Vyacheslav Brikman, Nikola Bajovski, Bruce Cohen and Andrew Schiff** s. 127 H. Craig in attendance for Staff Panel: JDC
September 1, 2010 1:00 p.m.	**Global Energy Group, Ltd., New Gold Limited Partnerships, Christina Harper, Vadim Tsatskin, Michael Schaumer, Elliot Feder, Oded Pasternak, Alan Silverstein, Herbert Groberman, Allan Walker, Peter Robinson, Vyacheslav Brikman, Nikola Bajovski, Bruce Cohen and Andrew Shiff** s. 37, 127 and 127.1 H. Craig in attendance for Staff Panel: JDC
September 1, 2010 1:00 p.m.	**Global Energy Group, Ltd. and New Gold Limited Partnerships** s. 127 H. Craig in attendance for Staff Panel: JDC
September 2, 2010 10:00 a.m.	**Abel Da Silva** s. 127 M. Boswell in attendance for Staff Panel: TBA
September 7-10, 2010 10:00 a.m.	**Maple Leaf Investment Fund Corp., Joe Henry Chau (aka: Henry Joe Chau, Shung Kai Chow and Henry Shung Kai Chow), Tulsiani Investments Inc., Sunil Tulsiani and Ravinder Tulsiani** s. 127 M. Vaillancourt/T. Center in attendance for Staff Panel: TBA
September 8, 2010 10:30 a.m.	**Lehman Brothers & Associates Corp., Greg Marks, Michael Lehman (a.k.a. Mike Laymen), Kent Emerson Lounds and Gregory William Higgins** s. 127 H. Craig in attendance for Staff Panel: TBA

September 13, 2010 9:00 a.m.	**Irwin Boock, Stanton Defreitas, Jason Wong, Saudia Allie, Alena Dubinsky, Alex Khodjiaints Select American Transfer Co., Leasesmart, Inc., Advanced Growing Systems, Inc., International Energy Ltd., Nutrione Corporation, Pocketop Corporation, Asia Telecom Ltd., Pharm Control Ltd., Cambridge Resources Corporation, Compushare Transfer Corporation, Federated Purchaser, Inc., TCC Industries, Inc., First National Entertainment Corporation, WGI Holdings, Inc. and Enerbrite Technologies Group** s. 127 and 127.1 H. Craig in attendance for Staff Panel: JEAT
September 13, 15-24, 2010 10:00 a.m.	**New Life Capital Corp., New Life Capital Investments Inc., New Life Capital Advantage Inc., New Life Capital Strategies Inc., 1660690 Ontario Ltd., L. Jeffrey Pogachar, Paola Lombardi and Alan S. Price** s. 127 M. Britton in attendance for Staff Panel: TBA
September 13-24; October 4-8; October 13-19, 2010 10:00 a.m.	**Sulja Bros. Building Supplies, Ltd., Petar Vucicevich, Kore International Management Inc., Andrew Devries, Steven Sulja, Pranab Shah, Tracey Banumas and Sam Sulja** s. 127 and 127.1 J. Feasby in attendance for Staff Panel: TBA
September 15-17, 20-21 and 24, 2010 October 4, 6-8, 13-15, 18-19, 25 and 27-29, 2010 10:00 a.m.	**Coventree Inc., Geoffrey Cornish and Dean Tai** s. 127 J. Waechter in attendance for Staff Panel: JEAT/MGC/PLK
September 22, 2010 9:00 a.m.	**Rezwealth Financial Services Inc., Pamela Ramoutar, Chris Ramoutar, Justin Ramoutar, Tiffin Financial Corporation, Daniel Tiffin, 2150129 Ontario Inc. and Sylvan Blackett** s. 127(1) and (5) A. Heydon in attendance for Staff Panel: TBA
September 27 – October 1, 2010 10:00 a.m.	**Chartcandle Investments Corporation, CCI Financial, LLC, Chartcandle Inc., PSST Global Corporation, Stephen Michael Chesnowitz and Charles Pauly** s. 127 and 127.1 S. Horgan in attendance for Staff Panel: TBA
September 29 – October 1, 2010 10:00 a.m.	**Wilton J. Neale, Multiple Streams of Income (MSI) Inc., and 360 Degree Financial Services Inc.** s. 127 and 127.1 H. Daley in attendance for Staff Panel: TBA
October 13, 2010 10:00 a.m.	**Ameron Oil and Gas Ltd. and MX-IV, Ltd.** s. 127 M. Boswell in attendance for Staff Panel: TBA
October 13, 2010 10:30 a.m.	**QuantFX Asset Management Inc., Vadim Tsatskin, Lucien Shtromvaser and Rostislav Zemlinsky** s. 127 H. Craig in attendance for Staff Panel: TBA

October 18-25; October 27 – November 5, 2010 10:00 a.m.	**Irwin Boock, Stanton Defreitas, Jason Wong, Saudia Allie, Alena Dubinsky, Alex Khodjiaints Select American Transfer Co., Leasesmart, Inc., Advanced Growing Systems, Inc., International Energy Ltd., Nutrione Corporation, Pocketop Corporation, Asia Telecom Ltd., Pharm Control Ltd., Cambridge Resources Corporation, Compushare Transfer Corporation, Federated Purchaser, Inc., TCC Industries, Inc., First National Entertainment Corporation, WGI Holdings, Inc. and Enerbrite Technologies Group** s. 127 and 127.1 H. Craig in attendance for Staff Panel: TBA
October 21, 2010 10:00 a.m.	**Ciccone Group, Medra Corporation, 990509 Ontario Inc., Tadd Financial Inc., Cachet Wealth Management Inc., Vince Ciccone, Darryl Brubacher, Andrew J. Martin., Steve Haney, Klaudiusz Malinowski and Ben Giangrosso** s. 127 P. Foy in attendance for Staff Panel: TBA
October 25-29, 2010 10:00 a.m.	**IBK Capital Corp. and William F. White** s. 127 M. Vaillancourt in attendance for Staff Panel: TBA
November 15-18; November 24-December 2, 2010 10:00 a.m.	**Juniper Fund Management Corporation, Juniper Income Fund, Juniper Equity Growth Fund and Roy Brown (a.k.a. Roy Brown-Rodrigues)** s. 127 and 127.1 D. Ferris in attendance for Staff Panel: TBA
December 2, 2010 9:30 a.m.	**Richvale Resource Corp., Marvin Winick, Howard Blumenfeld, Pasquale Schiavone, and Shafi Khan** s. 127(7) and 127(8) H. Craig in attendance for Staff Panel: TBA
January 17-21, 2011 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: TBA
January 31-February 7; February 9-18; February 23, 2011 10:00 a.m.	**Anthony Ianno and Saverio Manzo** s. 127 and 127.1 A. Clark in attendance for Staff Panel: TBA
February 11, 2011 10:00 a.m.	**Shallow Oil & Gas Inc., Eric O'Brien, Abel Da Silva, Gurdip Singh Gahunia aka Michael Gahunia and Abraham Herbert Grossman aka Allen Grossman** s. 127(7) and 127(8) M. Boswell in attendance for Staff Panel: TBA
February 14-18; February 23 – March 7; March 9-11, 2011 10:00 a.m.	**Agoracom Investor Relations Corp., Agora International Enterprises Corp., George Tsiolis and Apostolis Kondakos (a.k.a. Paul Kondakos)** s. 127 T. Center in attendance for Staff Panel: TBA

February 25, 2011 10:00 a.m.	**Hillcorp International Services, Hillcorp Wealth Management, Suncorp Holdings, 1621852 Ontario Limited, Steven John Hill, and Danny De Melo** s. 127 A. Clark in attendance for Staff Panel: TBA
March 1-7; 9-11; 21; and 23-31, 2011 10:00 a.m.	**Paul Donald** s. 127 C. Price in attendance for Staff Panel: TBA
March 7, 2011 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
March 30, 2011 10:00 a.m.	**Oversea Chinese Fund Limited Partnership, Weizhen Tang and Associates Inc., Weizhen Tang Corp., and Weizhen Tang** s. 127 and 127.1 M. Britton 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	**Frank Dunn, Douglas Beatty, Michael Gollogly** s. 127 K. Daniels in attendance for Staff Panel: TBA
TBA	**Gregory Galanis** s. 127 P. Foy in attendance for Staff Panel: TBA
TBA	**Biovail Corporation, Eugene N. Melnyk, Brian H. Crombie, John R. Miszuk and Kenneth G. Howling** s. 127(1) and 127.1 J. Superina, A. Clark in attendance for Staff Panel: TBA
TBA	**Global Partners Capital, Asia Pacific Energy Inc., 1666475 Ontario Inc. operating as "Asian Pacific Energy", Alex Pidgeon, Kit Ching Pan also known as Christine Pan, Hau Wai Cheung, also known as Peter Cheung, Tony Cheung, Mike Davidson, or Peter McDonald, Gurdip Singh Gahunia also known as Michael Gahunia or Shawn Miller, Basis Marcellinius Toussaint also known as Peter Beckford, and Rafique Jiwani also known as Ralph Jay** s. 127 M. Boswell in attendance for Staff Panel: TBA
TBA	**FactorCorp Inc., FactorCorp Financial Inc. and Mark Twerdun** s. 127 C. Price in attendance for Staff Panel: TBA

TBA

MRS Sciences Inc. (formerly Morningside Capital Corp.), Americo DeRosa, Ronald Sherman, Edward Emmons and Ivan Cavric

s. 127 and 127(1)

D. Ferris in attendance for Staff

Panel: TBA

TBA

Imagin Diagnostic Centres Inc., Patrick J. Rooney, Cynthia Jordan, Allan McCaffrey, Michael Shumacher, Christopher Smith, Melvyn Harris and Michael Zelyony

s. 127 and 127.1

J. Feasby in attendance for Staff

Panel: TBA

TBA

Gold-Quest International, Health and Harmoney, Iain Buchanan and Lisa Buchanan

s. 127

H. Craig in attendance for Staff

Panel: TBA

TBA

Goldpoint Resources Corporation, Lino Novielli, Brian Moloney, Evanna Tomeli, Robert Black, Richard Wylie and Jack Anderson

s. 127(1) and 127(5)

M. Boswell in attendance for Staff

Panel: TBA

TBA

Lehman Cohort Global Group Inc., Anton Schnedl, Richard Unzer, Alexander Grundmann and Henry Hehlsinger

s. 127

H. Craig in attendance for Staff

Panel: TBA

TBA

Goldbridge Financial Inc., Wesley Wayne Weber and Shawn C. Lesperance

s. 127

C. Johnson in attendance for Staff

Panel: TBA

TBA

Borealis International Inc., Synergy Group (2000) Inc., Integrated Business Concepts Inc., Canavista Corporate Services Inc., Canavista Financial Center Inc., Shane Smith, Andrew Lloyd, Paul Lloyd, Vince Villanti, Larry Haliday, Jean Breau, Joy Statham, David Prentice, Len Zielke, John Stephan, Ray Murphy, Alexander Poole, Derek Grigor and Earl Switenky

s. 127 and 127.1

Y. Chisholm in attendance for Staff

Panel: TBA

TBA

Nest Acquisitions and Mergers, IMG International Inc., Caroline Myriam Frayssignes, David Pelcowitz, Michael Smith, and Robert Patrick Zuk

s. 37, 127 and 127.1

C. Price in attendance for Staff

Panel: TBA

TBA

Rene Pardo, Gary Usling, Lewis Taylor Sr., Lewis Taylor Jr., Jared Taylor, Colin Taylor and 1248136 Ontario Limited

s. 127

M. Britton/J.Feasby in attendance for Staff

Panel: TBA

TBA

Uranium308 Resources Inc., Michael Friedman, George Schwartz, Peter Robinson, and Shafi Khan

s. 127

M. Boswell in attendance for Staff

Panel: TBA

TBA **Innovative Gifting Inc., Terence Lushington, Z2A Corp., and Christine Hewitt**

s. 127

M. Boswell in attendance for Staff

Panel: TBA

TBA **Tulsiani Investments Inc. and Sunil Tulsiani**

s. 127

M. Vaillancourt/T. Center in attendance for Staff

Panel: TBA

TBA **Gold-Quest International, 1725587 Ontario Inc. carrying on business as Health and Harmoney, Harmoney Club Inc., Donald Iain Buchanan, Lisa Buchanan and Sandra Gale**

s. 127

H. Craig in attendance for Staff

Panel: TBA

TBA **Lyndz Pharmaceuticals Inc., James Marketing Ltd., Michael Eatch and Rickey McKenzie**

s. 127(1) & (5)

J. Feasby in attendance for Staff

Panel: TBA

TBA **M P Global Financial Ltd., and Joe Feng Deng**

s. 127 (1)

M. Britton in attendance for Staff

Panel: TBA

TBA **Nelson Financial Group Ltd., Nelson Investment Group Ltd., Marc D. Boutet, Stephanie Lockman Sobol, Paul Manuel Torres, H.W. Peter Knoll**

s. 127

P. Foy in attendance for Staff

Panel: TBA

TBA **Peter Robinson and Platinum International Investments Inc.**

s. 127

M. Boswell in attendance for Staff

Panel: TBA

TBA **Paladin Capital Markets Inc., John David Culp and Claudio Fernando Maya**

s. 127

C. Price in attendance for Staff

Panel: TBA

TBA **Sunil Tulsiani, Tulsiani Investments Inc., Private Investment Club Inc., and Gulfland Holdings LLC**

s. 127

J. Feasby in attendance for Staff

Panel: TBA

TBA **Shane Suman and Monie Rahman**

s. 127 and 127(1)

C. Price in attendance for Staff

Panel: JEAT/PLK

TBA **TBS New Media Ltd., TBS New Media PLC, CNF Food Corp., CNF Candy Corp., Ari Jonathan Firestone and Mark Green**

s. 127

H. Craig in attendance for Staff

Panel: TBA

TBA

Carlton Ivanhoe Lewis, Mark Anthony Scott, Sedwick Hill, Leverage Pro Inc., Prosporex Investment Club Inc., Prosporex Investments Inc., Prosporex Ltd., Prosporex Inc., Prosporex Forex SPV Trust, Networth Financial Group Inc., and Networth Marketing Solutions

s. 127 and 127.1

H. Daley in attendance for Staff

Panel: TBA

ADJOURNED SINE DIE

Global Privacy Management Trust and Robert Cranston

S. B. McLaughlin

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

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

LandBankers International MX, S. A. De C.V.; Sierra Madre Holdings MX, S. A. De C.V.; L&B LandBanking Trust S. A. De C.V.; Brian J. Wolf Zacarias; Roger Fernando Ayuso Loyo, Alan Hemingway, Kelly Friesen, Sonja A. McAdam, Ed Moore, Kim Moore, Jason Rogers and Dave Urrutia

Hollinger Inc., Conrad M. Black, F. David Radler, John A. Boultbee and Peter Y. Atkinson

1.1.2 Notice of Commission Approval – Amendments to Part VI of the TSX Company Manual

TSX INC.

AMENDMENTS TO PART VI OF THE TORONTO STOCK EXCHANGE (TSX) COMPANY MANUAL (the MANUAL) RELATING TO ACQUISITIONS OF INVESTMENT FUNDS

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission has approved amendments to the Manual relating to certain requirements and exemptions for acquisitions of investment funds.

The amendments were published for comment on November 13, 2009 at (2009) 32 OSCB 9556. Certain minor changes to the amendments were made following publication for comment. A black-lined text of the amendments, showing changes made to the relevant sections of the rules since publication for comment, is published in Chapter 13 of this Bulletin. TSX Inc.'s notice and summary of the comments received and responses are also included in Chapter 13 of this Bulletin.

1.1.3 Notice of Commission Approval – Amendments to MFDA Rule 2.2 (Client Accounts), Policy No. 2 Minimum Standards for Account Supervision, Rule 2.8 (Client Communications) and Rule 5.3 (Client Reporting)

AMENDMENTS TO MFDA RULE 2.2 (CLIENT ACCOUNTS),
POLICY NO. 2 *MINIMUM STANDARDS FOR ACCOUNT SUPERVISION*,
RULE 2.8 (CLIENT COMMUNICATIONS) AND RULE 5.3 (CLIENT REPORTING)

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission has approved the Mutual Fund Dealers Association of Canada (MFDA)'s amendments to MFDA Rule 2.2 (Client Accounts), Policy No. 2 *Minimum Standards for Account Supervision*, Rule 2.8 (Client Communications) and Rule 5.3 (Client Reporting) (the Amendments). In addition, the Alberta Securities Commission, Saskatchewan Financial Services Commission, Manitoba Securities Commission, New Brunswick Securities Commission and Nova Scotia Securities Commission have approved or not disapproved, and the British Columbia Securities Commission has not objected to, the Amendments (together with the OSC, these are the Recognizing Regulators).

The Amendments will:

- require that investors are provided with certain fundamental information at the time an account is opened, which will help to ensure that clients are aware of the role and responsibilities of MFDA member firms (Members) and what to expect as far as services and costs
- clarify the duty of Members and approved persons to assess the suitability of investments in each client account when various triggering events occur
- clarify the responsibilities of Members and approved persons in discharging their suitability obligations
- require Members to provide certain information to clients on an annual basis with respect to the performance of the client's account at the Member
- clarify the Member's supervisory requirements regarding client communications that disclose a rate of return

Staff of the Recognizing Regulators remind Members that the Amendments are only a first step towards developing comprehensive performance reporting requirements, and that the Canadian Securities Administrators are currently working together with the MFDA and the Investment Industry Regulatory Organization of Canada to develop harmonized requirements for enhanced cost disclosure and performance reporting requirements.

The Amendments were published as proposals for public comment on June 13, 2008 at (2008) 31 OSCB 6157, and a revised version was published for further public comment on April 24, 2009 at (2009) 32 OSCB 3577 (re-published to correct a drafting error on May 8, 2009 at 32 OSCB 3983). A blacklined copy of the Amendments, showing the changes to MFDA Rule 2.2, Policy No. 2 *Minimum Standards for Account Supervision*, Rule 2.8 and Rule 5.3 is published in Chapter 13 of this Bulletin, together with the MFDA's summary of the comments received on the proposal and the MFDA's responses to those comments.

July 16, 2010

1.1.4 Notice of Commission Approval – Amended MFDA Rules of Procedure

MUTUAL FUND DEALERS ASSOCIATION OF CANADA (MFDA)

AMENDED MFDA RULES OF PROCEDURE

NOTICE OF COMMISSION APPROVAL

The Ontario Securities Commission has approved the amended MFDA Rules of Procedures. In addition, the Alberta Securities Commission, the Manitoba Securities Commission, New Brunswick Securities Commission, Nova Scotia Securities Commission, and Saskatchewan Financial Services Commission approved, and the British Columbia Securities Commission did not object to the amended MFDA Rules of Procedure. Amendments made to the MFDA Rules of Procedure reflect minor housekeeping amendments, enhancements based on past proceedings, and new provisions governing applications for interim relief (Part E) and the appointment of monitors to manage the affairs of MFDA members (Part F).

The amended MFDA Rules of Procedure were initially published for comment on July 31, 2009 (2009) 32 OSCB 6203. The MFDA did not receive any comments. Some non-material changes have been made to sections 18.1, 21.1 section 24.9 of the amended Rules of Procedure that were published for comment. The changes were made to either correct typographical errors or address inconsistencies, as follows:

18.1 Request for Membership Application Hearing

(1) A hearing pursuant to section 11.6 of MFDA By-law No. 1 shall be commenced by an Applicant filing a Request for Membership Application Hearing (a "Request for Hearing") with the Secretary.

(2) The Applicant must file a Request for Hearing within 14 days of effective service of a proposal by the Board of Directors to approve its application for membership subject to terms and conditions or to refuse ~~the~~ its application for membership.

(3) A Request for Hearing shall be in the form provided by the Secretary.

(4) If the Applicant fails to request a hearing in accordance with this Rule 18.1, the Hearing Panel may approve the application subject to terms and conditions or refuse the application.

21.1 Provision of Witness Lists and Statements

(1) Subject to Rule 22, a party to a hearing conducted pursuant to section ~~11.5.3~~11.7.2 of MFDA By-law No. 1 shall provide the other party with:

(a) a list of the witnesses the party intends to call at the hearing; and

(b) in respect of each witness named on the list either:

(i) a witness statement signed by the witness; or

(ii) a transcript of a recorded statement made by the witness; or

(iii) if no signed witness statement or transcript referred to in sub-Rules (i) and (ii) is available, a summary of the evidence that the witness is expected to give at the hearing.

(2) The parties shall comply with the requirements of sub-Rule (1) at least 14 days prior to the commencement of the hearing.

24.9 Order

(1) Once the Hearing Panel makes an order in the application the Corporation shall forthwith:

(a) serve a copy of the reasons for decision, if any and the order on the Respondent and Member or Members concerned on such terms and conditions as the Hearing Panel considers appropriate;

(b) where notice has not been provided to a Respondent, serve a copy of the Notice of Application and at the discretion ~~and on such terms and conditions as~~ of the Hearing Panel ~~may consider as appropriate~~ such evidence and material relied upon in the application, on such terms and conditions as the Hearing Panel

considers appropriate; and

(c) advise the Respondent in writing of the right to request a review pursuant to section 24.3.6 of MFDA By-law No. 1.

1.1.5 Notice of Approval – Application to Vary and Restate the Recognition Order of CNSX Markets Inc.

APPLICATION TO VARY AND RESTATE THE RECOGNITION ORDER OF CNSX MARKETS INC.

NOTICE OF APPROVAL

On July 6, 2010, the Commission issued an order (Variation Order) pursuant to section 21 and section 144 of the *Securities Act* (Ontario) varying and restating the recognition order of CNSX Markets Inc. (CNSX Markets) as a stock exchange dated May 7, 2004 and subsequently, amended on September 9, 2005, June 13, 2006 and May 16, 2008.

The Commission published for comment CNSX Markets' application for a variation and restatement on May 14, 2010 at (2010) 33 OSCB 4491. No comments were received. A copy of the Variation Order is published in Chapter 2 of this Bulletin.

There have been no substantive amendments to the Variation Order.

1.2 Notices of Hearing

1.2.1 Lehman Brothers & Associates 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
LEHMAN BROTHERS & ASSOCIATES CORP.,
GREG MARKS, MICHAEL LEHMAN (a.k.a.
MIKE LAYMEN), KENT EMERSON LOUNDS
AND GREGORY WILLIAM HIGGINS

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

WHEREAS on June 29, 2010, the Ontario Securities Commission (the "Commission") issued a temporary order pursuant to sections 127(1) and 127(5) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") ordering the following (the "Temporary Order"):

(i) that Lehman Brothers & Associates Corp. ("Lehman Corp."), Greg Marks ("Marks"), Michael Lehman (a.k.a. Mike Laymen) ("Lehman"), Kent Emerson Lounds ("Lounds') and Gregory William Higgins ("Higgins") cease trading in all securities; and

(ii) that any exemptions contained in Ontario securities law do not apply to Lehman Corp., Marks, Lehman, Lounds and Higgins (the "Temporary Order");

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, commencing on July 12, 2010 at 10:30 a.m., or as soon thereafter as the hearing can be held;

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

(i) 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;

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

BY REASON OF the facts recited in the Temporary Order and of such 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 6th day of July, 2010.

"John Stevenson"
Secretary to the Commission

1.3 News Releases

1.3.1 Canadian Securities Regulators Release MFDA Oversight Review Report

FOR IMMEDIATE RELEASE
July 9, 2010

CANADIAN SECURITIES REGULATORS RELEASE MFDA OVERSIGHT REVIEW REPORT

Vancouver – The Canadian Securities Administrators (CSA) today released the Oversight Review Report on the performance of the Mutual Fund Dealers Association of Canada (MFDA).

The participants in this coordinated review were from the seven provincial securities regulators that recognize the MFDA: the Alberta Securities Commission, British Columbia Securities Commission (BCSC), Manitoba Securities Commission, New Brunswick Securities Commission, Nova Scotia Securities Commission, Ontario Securities Commission and Saskatchewan Financial Services Commission.

The report outlines CSA staff's findings and identifies areas for improvement in various functional areas of the MFDA. It also includes the MFDA's responses to the report's recommendations and CSA staff's evaluation of, and intended follow-up to, those responses.

The BCSC has announced the continuation of a hearing concerning governance issues at the MFDA. As a result, the oversight report does not include findings on the governance of the MFDA. The CSA will release a separate report on governance following the hearing.

To view the report, visit the participating CSA members' websites.

The CSA, the council of securities regulators of Canada's provinces and territories, coordinates and harmonizes regulation for the Canadian capital markets.

For more information:

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British Columbia Securities Commission
604-899-6577

Mark Dickey
Alberta Securities Commission
403-297-4481

Ainsley Cunningham
Manitoba Securities Commission
204-945-4733

Barbara Shourounis
Saskatchewan Financial Services Commission
306-787-5842

Robert Merrick
Ontario Securities Commission
416-593-2315

Wendy Connors-Beckett
New Brunswick Securities Commission
506 643-7745

Shirley P. Lee
Nova Scotia Securities Commission
902-424-5441

1.3.2 Canadian Securities Regulators Announce Results of Continuous Disclosure Reviews for Fiscal 2010

FOR IMMEDIATE RELEASE
July 9, 2010

CANADIAN SECURITIES REGULATORS ANNOUNCE RESULTS OF CONTINUOUS DISCLOSURE REVIEWS FOR FISCAL 2010

Toronto – The Canadian Securities Administrators (CSA) today published Staff Notice 51-332 *Continuous Disclosure Review Program Activities for the fiscal year ended March 31, 2010*, which summarizes the results of the CSA's continuous disclosure (CD) review program.

CSA members completed 1,351 CD reviews (527 full reviews and 824 issue-oriented reviews) of public companies that are reporting issuers. To assist reporting issuers in avoiding pitfalls that the CSA continues to see in disclosure documents, Staff Notice 51-332 includes detailed examples of the common deficiencies found during the reviews in financial statements, Management's Discussion and Analysis (MD&A) and oil and gas disclosure.

"The continuous disclosure review notice is a key part of the outreach by CSA members to public companies to help them enhance their disclosure filings," said Jean St-Gelais, Chair of the CSA and President and Chief Executive Officer of the Autorité des marchés financiers (Québec). "Providing reliable and accurate disclosure is critical to fostering both investor confidence and efficient capital markets."

The total number of reviews represents a 23 per cent increase from fiscal 2009 when CSA members conducted 1,094 reviews. A main reason for this increase was the completion of International Financial Reporting Standards (IFRS) transition disclosure reviews.

CSA members use a risk-based approach to select reporting issuers for CD reviews and to determine the type of review to conduct. This approach enables securities regulators to address areas of particular concern and to apply both qualitative and quantitative criteria in determining the level of review required. As market conditions change, the CD review program is adapted to incorporate new risk factors.

Once a CD review is completed, CSA members classify the results into one or more of five categories of outcome, which reflect the seriousness of the matters noted. The outcomes of this year's reviews are as follows:

- 43 per cent resulted in "prospective changes", requiring reporting issuers to make enhancements to their disclosure in future filings;
- Nine per cent resulted in reporting issuers being alerted to specific areas where disclosure enhancements should be considered, as part of the CSA's effort to educate issuers;
- 16 per cent of reporting issuers were required to amend or refile certain CD documents. This category of outcomes was made up largely of certain issue-oriented reviews, such as those completed on National Instrument 52-109 *Certification of Disclosure in Issuer's Annual and Interim Filings* and Form 51-102F6 *Statement of Executive Compensation*;
- Four per cent were cease traded, placed on a default list or referred to Enforcement; and
- 28 per cent did not need to make any changes or additional filings.

Excluding investment funds, there are approximately 4,200 reporting issuers in Canada that are subject to regular full and issue-oriented reviews as part of the CSA CD review program.

CSA Staff Notice 51-332 is available on various CSA members' websites.

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:

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Ken Gracey
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Ainsley Cunningham
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902-424-5441

Barbara Shourounis
Saskatchewan Financial Services Commission
306-787-5842

Janice Callbeck
PEI Securities Office
Office of the Attorney General
902-368-6288

Doug Connolly
Financial Services Regulation Div.
Newfoundland and Labrador
709-729-2594

Graham Lang
Yukon Securities Registry
867-667-5466

Louis Arki
Nunavut Securities Office
867-975-6587

Donn MacDougall
Northwest Territories
Securities Office
867-920-8984

1.4 Notices from the Office of the Secretary

1.4.1 Lehman Brothers & Associates Corp. et al.

FOR IMMEDIATE RELEASE
July 8, 2010

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

AND

IN THE MATTER OF
LEHMAN BROTHERS & ASSOCIATES CORP.,
GREG MARKS, MICHAEL LEHMAN (a.k.a.
MIKE LAYMEN), KENT EMERSON LOUNDS
AND GREGORY WILLIAM HIGGINS

TORONTO – The Office of the Secretary issued a Notice of Hearing setting the matter down to be heard on July 12, 2010 at 10:30 a.m. in Hearing Room B 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 dated July 6, 2010 and Temporary Order dated June 29, 2010 are available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
SECRETARY

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Theresa Ebden
Senior Communications Specialist
416-593-8307

Robert Merrick
Senior Communications Specialist
416-593-2315

For investor inquiries:

OSC Contact Centre
416-593-8314
1-877-785-1555 (Toll Free)

1.4.2 Anthony Ianno and Saverio Manzo

FOR IMMEDIATE RELEASE
July 8, 2010

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

AND

IN THE MATTER OF
ANTHONY IANNO AND SAVERIO MANZO

TORONTO – The Commission issued an Order which provides that (1) a further pre-hearing conference will be held in this matter on Tuesday, November 16, 2010 at 10:00 am; and (2) the hearing on the merits in this matter will take place on the following dates: January 31, February 1, 2, 3, 4, 7, 9, 10, 11, 14, 15, 16, 17, 18, and 23, 2011, or on such further or other dates as shall be agreed by the parties and fixed by the Office of the Secretary.

A copy of the Order dated July 7, 2010 is available at **www.osc.gov.on.ca**.

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1.4.3 Agoracom Investor Relations Corp. et al.

FOR IMMEDIATE RELEASE
July 8, 2010

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

AND

IN THE MATTER OF
AGORACOM INVESTOR RELATIONS CORP.,
AGORA INTERNATIONAL ENTERPRISES CORP.,
GEORGE TSIOLIS and APOSTOLIS KONDAKOS
(a.k.a. PAUL KONDAKOS)

TORONTO – The Commission issued an Order in the above named matter which provides that (1) a further confidential pre-hearing conference shall take place on September 21, 2010 at 9:00 a.m.; and (2) the hearing on the merits shall commence on February 14, 2011 at 10:00 a.m. and shall continue to and including March 11, 2011 (other than February 21 and 22 and March 8, 2011), or such further or other dates as shall be agreed to by the parties and fixed by the Office of the Secretary.

A copy of the Order dated July 7, 2010 is available at **www.osc.gov.on.ca**.

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1.4.4 Carlton Ivanhoe Lewis et al.

FOR IMMEDIATE RELEASE
July 9, 2010

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

AND

IN THE MATTER OF
CARLTON IVANHOE LEWIS, MARK ANTHONY SCOTT, SEDWICK HILL, LEVERAGEPRO INC., PROSPOREX INVESTMENT CLUB INC., PROSPOREX INVESTMENTS INC., PROSPOREX LTD., PROSPOREX INC., PROSPOREX FOREX SPV TRUST, NETWORTH FINANCIAL GROUP INC., and NETWORTH MARKETING SOLUTIONS

TORONTO – The Commission issued an order in the above named matter which provides that (1) the Temporary Order insofar as it relates to the above-named respondents is extended to July 14, 2010 on the same terms as the Order dated March 26, 2010; and (2) a hearing in this matter will take place commencing on July 13, 2010 at 10:00 a.m.

A copy of the Order dated June 16, 2010 is available at **www.osc.gov.on.ca**.

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1.4.5 Albert Leslie James et al.

FOR IMMEDIATE RELEASE
July 9, 2010

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

AND

IN THE MATTER OF
ALBERT LESLIE JAMES, EZRA DOUSE and DOMINION INVESTMENTS CLUB INC.

TORONTO – The Commission issued an order in the above named matter which provides that (1) the Temporary Order insofar as it relates to the above-named respondents is extended to July 14, 2010; and (2) a hearing in this matter will take place commencing on July 13, 2010 at 2:00 p.m.

A copy of the Order dated June 16, 2010 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
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1.4.6 Wilton J. Neale et al.

FOR IMMEDIATE RELEASE
July 9, 2010

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

AND

IN THE MATTER OF
WILTON J. NEALE,
MULTIPLE STREAMS OF INCOME (MSI) INC.
and 360 DEGREE FINANCIAL SERVICES INC.

TORONTO – The Commission issued an order in the above named matter which provides that (1) the Temporary Order insofar as it relates to the above-named respondents is extended to July 14, 2010 on the same terms as the Order dated March 26, 2010; and (2) a hearing in this matter will take place commencing on July 13, 2010 at 2:00 p.m.

A copy of the Order dated June 16, 2010 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
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1.4.7 Hillcorp International Services et al.

FOR IMMEDIATE RELEASE
July 12, 2010

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

AND

IN THE MATTER OF
HILLCORP INTERNATIONAL SERVICES,
HILLCORP WEALTH MANAGEMENT,
SUNCORP HOLDINGS, 1621852 ONTARIO LIMITED,
STEVEN JOHN HILL, and DANNY DE MELO

TORONTO – The Commission issued an Order in the above named matter with certain provisions. The Hearing is adjourned to Friday February 25, 2011 at 10:00 a.m.

A copy of the Order dated July 9, 2010 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
JOHN P. STEVENSON
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1.4.8 Global Energy Group, Ltd. and New Gold Limited Partnerships

FOR IMMEDIATE RELEASE
July 13, 2010

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

AND

IN THE MATTER OF
GLOBAL ENERGY GROUP, LTD. AND
NEW GOLD LIMITED PARTNERSHIPS

TORONTO – The Commission issued an Order in the above named matter which provides that, pursuant to subsection 127(8) of the Act, that the Temporary Order is extended to September 1, 2010 and that the hearing in this matter is adjourned to September 1, 2010, at 1:00 p.m. or on such other date as provided by the Secretary's Office and agreed to by the parties.

A copy of the Order dated July 9, 2010 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
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1.4.9 Wilton J. Neale et al.

FOR IMMEDIATE RELEASE
July 14, 2010

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

AND

IN THE MATTER OF
WILTON J. NEALE,
MULTIPLE STREAMS OF INCOME (MSI) INC.
and 360 DEGREE FINANCIAL SERVICES INC.

TORONTO – The Commission issued an Order in the above named matter which provides that (1) the Temporary Order, as varied, is extended until the completion of the hearing on the merits and release of the decision on the merits, on the same terms as the Order dated March 26, 2010; and (2) the hearing on the merits in this matter shall commence on September 29, 2010 at 10:00 a.m., and continue to and including October 1, 2010, or such further or other dates as agreed to by the parties and fixed by the Office of the Secretary of the Commission.

A copy of the Order dated July 13, 2010 is available at **www.osc.gov.on.ca**.

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1.4.10 Albert Leslie James et al.

FOR IMMEDIATE RELEASE
July 14, 2010

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

AND

IN THE MATTER OF
ALBERT LESLIE JAMES, EZRA DOUSE
and DOMINION INVESTMENTS CLUB INC.

TORONTO – The Commission issued an Order in the above named matter which provides that (1) the Temporary Order, as varied, is extended to August 17, 2010; and (2) the hearing of this matter is adjourned to August 16, 2010 at 2:30 p.m. or such further or other dates as agreed to by the parties and fixed by the Office of the Secretary of the Commission.

A copy of the Order dated July 13, 2010 is available at **www.osc.gov.on.ca**.

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1.4.11 Lehman Brothers & Associates Corp. et al.

FOR IMMEDIATE RELEASE
July 14, 2010

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

AND

IN THE MATTER OF
LEHMAN BROTHERS & ASSOCIATES CORP.,
GREG MARKS, MICHAEL LEHMAN (a.k.a.
MIKE LAYMEN), KENT EMERSON LOUNDS
AND GREGORY WILLIAM HIGGINS

TORONTO – The Commission issued an Order in the above named matter which provides that, pursuant to subsections 127 (7) and (8) of the Act, the Temporary Order is extended to September 9, 2010 and the Hearing is adjourned to September 8, 2010 at 10:30 a.m.

A copy of the Order dated July 12, 2010 is available at **www.osc.gov.on.ca**.

OFFICE OF THE SECRETARY
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1.4.12 Carlton Ivanhoe Lewis et al.

FOR IMMEDIATE RELEASE
July 14, 2010

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

AND

IN THE MATTER OF
CARLTON IVANHOE LEWIS, MARK ANTHONY SCOTT, SEDWICK HILL, LEVERAGEPRO INC., PROSPOREX INVESTMENT CLUB INC., PROSPOREX INVESTMENTS INC., PROSPOREX LTD., PROSPOREX INC., PROSPOREX FOREX SPV TRUST, NETWORTH FINANCIAL GROUP INC., and NETWORTH MARKETING SOLUTIONS

TORONTO – The Commission issued an Order in the above named matter which provides that (1) the Temporary Order, as varied, is extended until the completion of the hearing on the merits and release of the decision on the merits, on the same terms as the Order dated March 26, 2010; and (2) the hearing on the merits in this matter shall commence on January 10, 2011 at 10:00 a.m., and continue January 12 to and including January 24, 2011, or such further or other dates as agreed to by the parties and fixed by the Office of the Secretary of the Commission.

A copy of the Order dated July 13, 2010 is available at **www.osc.gov.on.ca**.

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Chapter 2

Decisions, Orders and Rulings

2.1 Decisions

2.1.1 Jinshan Gold Mines Inc.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – National Instrument 52-107 Acceptable Accounting Principles, Auditing Standards and Reporting Currency, s. 9.1 – An issuer wants relief from the requirement to prepare its financial statement in accordance with Canadian GAAP in order to use IFRS before the January 1, 2011 changeover date – The issuer has previously prepared financial statements in accordance with IFRS-IASB to comply with the requirements of a foreign regulator – The issuer has assessed the readiness of its staff, board, audit committee, auditors and investors – The issuer has provided detailed disclosure regarding its early adoption of IFRS in its most recently filed MD&A – The issuer will provide disclosure equivalent to that required in IFRS 1 in its financial statements filed for the first financial year it relies on this relief.

Applicable Legislative Provisions

National Instrument 52-107 Acceptable Accounting Principles, Auditing Standards and Reporting Currency, s. 9.1.

March 23, 2010

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA AND ONTARIO
(the Jurisdictions)

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF
APPLICATIONS IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF
JINSHAN GOLD MINES INC.
(the Filer)

DECISION

Background

1 The securities regulatory authority or regulator in each of the Jurisdictions (the Decision Makers) have received an application from the Filer for a decision under the securities legislation of the Jurisdictions (the Legislation) exempting the Filer from the requirement in section 3.1 of National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* (NI 52-107) that financial statements be prepared in accordance with Canadian GAAP (the Exemption Sought), in order that the Filer may prepare its financial statements for periods beginning on or after January 1, 2009 in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IFRS-IASB).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a dual application):

(a) the British Columbia Securities Commission is the principal regulator for this application;

(b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (MI 11-102) is intended to be relied upon in Alberta (the Passport Jurisdiction); and

(c) the decision is the decision of the principal regulator and evidences the decision of the securities regulatory authority or regulator in the Province of Ontario.

Interpretation

2 Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this decision, unless otherwise defined.

Representations

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

1. the Filer is a corporation incorporated under the *Business Corporations Act* (British Columbia); the head office of the Filer is located at Suite 1030, One Bentall Centre, 505 Burrard Street, Box 31,Vancouver, British Columbia V7X 1M5;

2. the Filer is a reporting issuer or equivalent in each of the Jurisdictions; the Filer is not in default of its reporting issuer obligations under the Legislation or the securities legislation of the Jurisdictions;

3. the Filer's common shares are listed on the Toronto Stock Exchange under the symbol “JIN” and the Filer has commenced the application process to obtain a listing on an Asian stock exchange (Asian Stock Exchange);

4. the Filer is a mining company focused on gold mining with operations in China;

5. the Filer prepares its financial statements in accordance with Canadian GAAP;

6. in connection with the application process for a listing on the Asian Stock Exchange, the Filer was required to submit financial statements for the years ended December 31, 2006, 2007, and 2008 and for the six months ended June 30, 2009 in accordance with IFRS-IASB, and, if the listing is successful, the Filer will be required to prepare all future financial statements in accordance with IFRS-IASB;

7. the Filer’s listing application documents contained the Filer’s “first IFRS financial statements” under IFRS 1 *First Time Adoption of International Financial Reporting Standards* (IFRS 1); these statements contained an explicit and unreserved statement of compliance with IFRS-IASB;

8. the Canadian Accounting Standards Board has confirmed that publicly accountable enterprises will be required to prepare their financial statements in accordance with IFRS-IASB for financial statements relating to fiscal years beginning on or after January 1, 2011;

9. NI 52-107 sets out acceptable accounting principles for financial reporting under the Legislation by domestic issuers, foreign issuers, registrants and other market participants; under NI 52-107, a domestic issuer must use Canadian GAAP with the exception that an SEC registrant may use US GAAP; under NI 52-107, only foreign issuers may use IFRS-IASB;

10. in CSA Staff Notice 52-321 *Early Adoption of International Financial Reporting Standards, Use of US GAAP and Reference to IFRS-IASB*, staff of the Canadian Securities Administrators recognized that some issuers may wish to prepare their financial statements in accordance with IFRS-IASB for periods beginning prior to January 1, 2011 and indicated that staff were prepared to recommend exemptive relief on a case by case basis to permit a domestic issuer to do so, despite section 3.1 of NI 52-107;

11. subject to obtaining the Exemption Sought, the Filer intends to adopt IFRS-IASB for its financial statements for periods beginning on and after January 1, 2009 with a transition date of January 1, 2006;

12. the Filer believes the adoption of IFRS-IASB will avoid potential confusion for the users of its financial statements because the reporting requirements of all its primary regulators would be satisfied using one accounting standard; additionally, the use of a single accounting standard would eliminate complexity and cost from the Filer’s financial statement preparation process;

13. the Filer has developed a comprehensive IFRS-IASB conversion plan which has been implemented as part of its listing process for the Asian Stock Exchange;

14. the Filer has carefully assessed the readiness of its staff, board of directors, audit committee, auditors, investors and other market participants for the adoption by the Filer of IFRS-IASB for financial periods

beginning on and after January 1, 2009 and has concluded that they will be adequately prepared for the Filer's adoption of IFRS-IASB for periods beginning on January 1, 2009;

15. the Filer has considered the implications of adopting IFRS-IASB for financial periods beginning on and after January 1, 2009 on its obligations under securities legislation including, but not limited to, those relating to CEO and CFO certifications, business acquisition reports, offering documents, and previously released material forward looking information, and has concluded that if the Exemption Sought is granted it will continue to be able to fulfill these obligations;

16. Immediately upon issuance of this decision, the Filer will restate and re-file its management's discussion and analysis for the interim period ended September 30, 2009 (Q3 MD&A), together with the certificates required by National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), to provide relevant information about its conversion to IFRS-IASB as contemplated by CSA Staff Notice 52-320 *Disclosure of Expected Changes in Accounting Policies Relating to Changeover to International Financial Reporting Standards*, including:

    (a) the key elements and timing of its changeover plan;

    (b) accounting policy and implementation decisions the Filer has made or will have to make;

    (c) the exemptions available under IFRS 1 that the Filer expects to apply in preparing financial statements in accordance with IFRS-IASB;

    (d) major differences the Filer has identified between its current accounting policies and those the Filer is required or expects to apply in preparing financial statements under IFRS-IASB; and

    (e) the impact of the changeover on the key line items presented in the Filer's interim financial statements for the period ending September 30, 2009;

17. the Filer will disseminate a news release announcing that it has restated and re-filed its Q3 MD&A; and

18. the Filer will update the information set out in its Q3 MD&A in its annual management's discussion and analysis including, to the extent known, quantitative information regarding the impact of adopting IFRS-IASB on key line items in the Filer's annual financial statements for the year ending December 31, 2009.

Decision

4 Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decision of the Decision Makers under the Legislation is that the Exemption Sought is granted, provided that:

(a) the Filer prepares its annual financial statements for financial periods beginning on or after January 1, 2009 in accordance with IFRS-IASB;

(b) the Filer provides all the communication as described and in the manner set out in paragraphs 16, 17 and 18;

(c) the Filer prepares its interim financial statements for interim periods beginning on or after January 1, 2009 in accordance with IFRS-IASB, except that if the Filer files interim financial statements prepared in accordance with Canadian GAAP for one or more interim periods for the financial year in which it adopts IFRS-IASB, the Filer will restate and re-file those interim financial statements in accordance with IFRS-IASB immediately upon issuance of this decision, together with the related restated interim management's discussion and analysis as well as the certificates required by NI 52-109;

(d) the Filer's first IFRS-IASB financial statements for an interim period include an opening statement of financial position as at the date of transition to IFRS-IASB that is presented with prominence equal to the other statements that comprise those interim financial statements;

(e) the first annual financial statements referred to in paragraph (a), and the interim financial statements for the first interim period in that first financial year, include the reconciliations and other information specified in paragraphs 6 and 23 through 28 of IFRS 1, including but not limited to:

    (i) an opening IFRS statement of financial position as at the transition date of January 1, 2006;

(ii) a reconciliation of equity as previously reported in accordance with Canadian GAAP to equity in accordance with IFRS as at the transition date of January 1, 2006 and as at each year end since that date;

(iii) a reconciliation of total comprehensive income as previously reported in accordance with Canadian GAAP to total comprehensive income in accordance with IFRS for the year ended December 31, 2006 and each subsequent year;

(iv) sufficient information to enable users to understand the material adjustments to the statement of financial position and statement of comprehensive income for the year ended December 31, 2006 and each subsequent year; and

(v) material differences between the statements of cash flows as previously reported in accordance with Canadian GAAP and restated IFRS amounts for the year ended December 31, 2006 and each subsequent year; and

(f) the first interim financial statements referred to in paragraph (e) include the disclosure specified in IFRS 1 for interim financial reports.

"Martin Eady, CA"
Director, Corporate Finance
British Columbia Securities Commission

2.1.2 AlphaPro Management Inc. et al.

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief granted from fund on funds restrictions for commodity pools investing in exchange traded mutual funds tracking the performance of one or more physical commodities – Mutual funds, including commodity pools, are subject to various restrictions in investing in other mutual funds – The applicants are commodity pools and the underlying funds are limited to mutual funds tracking performance of physical commodities – Section 2.5 of National Instrument 81-102.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c.S.5, as am.
National Instrument 81-102 Mutual Funds, ss. 2.5, 19.1.
National Instrument 81-104 Commodity Pools.

July 7, 2010

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF
APPLICATIONS IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF
ALPHAPRO MANAGEMENT INC.
(the Filer)

AND

IN THE MATTER OF
HORIZONS ALPHAPRO SEASONAL ROTATION ETF
HORIZONS ALPHAPRO GARTMAN ETF
(the Existing Commodity Pools)

DECISION

Background

The principal regulator in Ontario has received an application from the Filer, the manager of the Existing Commodity Pools for a decision under the securities legislation of Ontario (the **Legislation**) for an exemption relieving the Existing Commodity Pools and such other exchange-traded funds that the Filer or an affiliate of the Filer has or may establish in the future (each a **Future Commodity Pool** and, together with the Existing Commodity Pools, individually a **Commodity Pool** and, collectively, the **Commodity Pools**) from:

(a) the prohibition contained in Section 2.1(1) of National Instrument 81-102 *Mutual Funds* (**NI 81-102**) that would prevent the Commodity Pools from purchasing Commodity Participation Units (as defined below) of a mutual fund if, immediately after the transaction, more than 10 percent of the net asset value of the Commodity Pool, taken at market value at the time of the transaction, would be invested in securities of that mutual fund;

(b) the prohibition contained in Section 2.5(2)(a) of NI 81-102 that would prevent the Commodity Pools from investing in the Commodity Participation Units that are not subject to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* (**NI 81-101**) and/or NI 81-102; and

(c) the prohibition contained in Section 2.5(2)(c) of NI 81-102 that would prevent the Commodity Pools from investing in the Commodity Participation Units, some of which are mutual funds that are not qualified for distribution in the local jurisdiction;

to permit each Commodity Pool to purchase and hold Commodity Participation Units (the **Exemption Sought**).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a passport application):

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

(ii) the Filer has provided notice that Section 4.7(1) of Multilateral Instrument 11-102 *Passport System* (**MI 11-102**) is intended to be relied upon in each other province and territory of Canada (including Ontario, the **Jurisdictions**).

Interpretation

Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this decision, unless otherwise defined.

Representations

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

1. The Filer, a corporation incorporated under the laws of Canada, or an affiliate, acts or will act as the trustee and manager of each Commodity Pool. The head office of the Filer is located in Toronto, Ontario.

2. The Filer is not in default of securities legislation in any of the Jurisdictions.

3. JovInvestment Management Inc. (**JovInvestment**), a corporation incorporated under the laws of Ontario and an affiliate of the Filer, acts as the investment manager of each of the Existing Commodity Pools and acts or may act as the

investment manager of each Future Commodity Pool. JovInvestment is registered as a portfolio manager under the *Securities Act* (Ontario), and as a commodity trading counsel and as a commodity trading manager under the *Commodity Futures Act* (Ontario).

4. Each Commodity Pool is or will be a mutual fund established under the laws of Ontario, and is or will be a reporting issuer under the laws of some or all of the Jurisdictions.

5. Each Commodity Pool is or will be a "commodity pool" for purposes of National Instrument 81-104 *Commodity Pools* (**NI 81-104**) and its securities are or will be offered pursuant to a long form prospectus prepared in accordance with Form 41-101F2 *Information Required in an Investment Fund Prospectus*. Each Commodity Pool is or will adopt a fundamental investment objective that permits the Commodity Pool to use or invest in financial instruments in a manner that is not permitted under NI 81-102. As each Commodity Pool is or will be a commodity pool, subject to NI 81-104, unlike a conventional retail mutual fund, each Commodity Pool is or will also be permitted to invest in physical commodities.

6. Each Commodity Pool is or will be an actively managed exchange-traded fund and its securities are or will be listed on a public stock exchange.

7. Long form prospectuses dated November 10, 2009 and October 14, 2009 for the Horizons AlphaPro Seasonal Rotation ETF and Horizons AlphaPro Gartman ETF, respectively, were receipted by the securities regulator authority or regulator in each of the Jurisdictions.

8. The investment objective and strategy of both of the Existing Commodity Pools includes the ability to invest in physical commodities, commodity futures, and exchange traded funds that invest in or are exposed to physical commodities and commodity futures.

9. In this Decision, a **Commodity Participation Unit** is defined as a security that is issued by an issuer, the only purpose of which is to hold:

   (a) a physical commodity as defined in NI 81-102 (a **Physical Commodity**) or more than one Physical Commodity;

   (b) commodity futures that are widely quoted or used as the benchmark for pricing the future price of a Physical Commodity or more than one Physical Commodity; or

   (c) specified derivatives that replicate the performance of a Physical Commodity or more than one Physical Commodity, or commodity futures, referred to in subparagraphs 9(a) and 9(b).

10. In accordance with its investment strategies, as stated in its prospectus, in order to meet its investment objective the Existing Commodity Pools may invest in mutual funds that trade on a stock exchange in Canada or the United States that either:

    (a) issue index participation units as defined in NI 81-102 (the **IPUs**); or

    (b) subject to obtaining the Exemption Sought, issue Commodity Participation Units.

11. Issuers of Commodity Participation Units that refer to more than one category of Physical Commodity or commodity future will state in the issuer's current public offering document that it seeks to replicate the performance of an index of widely quoted or used benchmarks for physical commodities or categories of physical commodities that employs an empirical, rules based allocation methodology.

12. The Commodity Pool will invest in Commodity Participation Units that provide indirect exposure to the same physical commodities that, in accordance with NI 81-104, the Commodity Pool could acquire directly and in concentrations that it could accumulate directly.

13. Commodity Participation Units that are reporting issuers in one or more Jurisdictions are subject to NI 81-102 but are not subject to NI 81-101.

14. Commodity Participation Units issued by mutual funds that are reporting issuers in a Jurisdiction will be qualified for distribution in one of the same Jurisdictions in which the Commodity Pools are, or will be qualified for distribution but may not be qualified in all of the same Jurisdictions.

15. Commodity Participation Units issued by mutual funds that are not reporting issuers in a Jurisdiction but are traded on a stock exchange in Canada or the United States will not be subject to NI 81-102 and will not be subject to NI 81-101.

16. As each Commodity Participation Unit will be a mutual fund, without the Exemption Sought, a Commodity Pool's investment in a Commodity Participation Unit may only be made in accordance with Sections 2.1 and 2.5 of NI 81-102.

17. The Commodity Participation Units are attractive investments for the Commodity Pools, as they provide an efficient and cost effective means of achieving diversification and exposure.

18. An investment by a Commodity Pool in securities of a Commodity Participation Unit will represent the business judgment of responsible persons uninfluenced by considerations other than the best interests of the Commodity Pool.

Decision

The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make the decision.

The decision of the principal regulator under the Legislation is that the Exemption Sought is granted to a Commodity Pool provided that:

a) the investment by the Commodity Pool in securities of an Commodity Participation Unit is in accordance with the fundamental investment objective of the Commodity Pool;

b) the Commodity Pool's investment strategies specify investments in physical commodities, commodity futures and exchange traded funds that invest in or are exposed to physical commodities and commodity futures;

c) each Commodity Participation Unit is listed on an exchange in Canada or the United States;

d) the Commodity Pool will only invest in an Commodity Participation Unit pursuant to internal policies and procedures, that will be established by the Filer or an affiliate of the Filer for the Commodity Pool, which will set out (i) the maximum concentration of Commodity Participation Units the Commodity Pool can purchase in Canada and the United States based on the fundamental investment objective, investment strategies and investment restrictions of the Commodity Pool, and (ii) the minimum market capitalization and/or minimum average daily trading volume each Commodity Participation Unit must have to ensure the Commodity Pool does not have any liquidity issues when buying or selling securities of the Commodity Participation Unit; and

e) the prospectus of the Commodity Pool discloses in the investment strategy section of the prospectus of the Commodity Pool, the fact that the Commodity Pool has obtained the Exemption Sought with the applicable investment strategy disclosure and, to the extent applicable, the risks associated with relying on such relief.

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

2.1.3 Invesco Trimark Ltd. and Powershares Tactical Bond Capital Yield Class

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Relief granted from multi-layering prohibition in paragraph 2.5(2)(b) of NI 81-102 to permit Tactical Class to invest in Tactical Fund, which is more than 10% invested in underlying funds and ETFs – The three-tier fund structure no more complex than current multi-layering exception in NI 81-102 – Transparent investment portfolio and accountability for portfolio management – National Instrument 81-102 Mutual Funds.

Applicable Legislative Provisions

National Instrument 81-102 Mutual Funds, ss. 2.5(2)(b), 19.1.

July 12, 2010

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
ONTARIO
(the "Jurisdiction")

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF
APPLICATIONS IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF INVESCO TRIMARK LTD.
(the "Filer")

AND

IN THE MATTER OF
POWERSHARES TACTICAL BOND CAPITAL
YIELD CLASS
("Tactical Class")

DECISION

Background

The principal regulator in the Jurisdiction has received an application from the Filer on behalf of Tactical Class for a decision under the securities legislation of the Jurisdiction of the principal regulator (the "**Legislation**") exempting Tactical Class from the restriction contained in section 2.5(2)(b) of National Instrument 81-102 *Mutual Funds* ("**NI 81-102**") that a fund not invest in another fund if the other fund holds more than 10% of the market value of its net assets in securities of other mutual funds (the "**Exemption Sought**").

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions:

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

b. the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 *Passport System* ("**MI 11-102**") is intended to be relied upon in British Columbia, Alberta, Saskatchewan, Manitoba, Quebec, New Brunswick, Nova Scotia, Newfoundland and Labrador, Prince Edward Island, Northwest Territories, Nunavut and Yukon (the "**Other Jurisdictions**").

Interpretation

Defined terms contained in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this decision unless they are defined in this decision.

Representations

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

Facts

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

2. The Filer is or will be the manager of Tactical Class, PowerShares Tactical Bond Fund ("**Tactical Fund**") and the mutual funds subject to NI 81-102 in which Tactical Fund will invest (the "**Underlying Funds**").

3. The Filer is not in default of securities legislation in any jurisdiction of Canada.

4. Tactical Class will be a class of shares of Invesco Corporate Class Inc. that seeks to achieve its investment objective by investing primarily in Canadian equity securities and by entering into forward contracts in order to provide the fund with a return determined with reference to the performance of Tactical Fund. It is anticipated that the performance of Tactical Class and Tactical Fund will differ only by the costs associated with the forward contracts.

5. Tactical Fund will be a fund-of-funds that invests in a combination of exchange traded funds ("**ETFs**") and Underlying Funds.

6. The ETFs are or will be mutual funds whose securities trade on a stock exchange in Canada or the United States and which attempt to replicate the performance of various widely quoted bond indices. As a result, each ETF will at the time of investment by Tactical Fund in such ETF, meet the definition of an "index participation unit" under section 1.1 of NI 81-102.

7. Tactical Class' investment in units of Tactical Fund will therefore result in a three-tier fund structure.

This three-tier fund structure with respect to investments by Tactical Fund in Underlying Funds is contrary to the multi-layering restriction in section 2.5(2)(b) of NI 81-102. The three-tier fund structure with respect to investments by Tactical Fund in ETFs is permitted under section 2.5(4)(b)(ii) of NI 81-102.

8. A preliminary simplified prospectus and annual information form dated June 10, 2010 for Tactical Class and Tactical Fund was filed in all provinces and territories of Canada under SEDAR project #1595494.

9. Tactical Class, Tactical Fund and each Underlying Fund is or will be (a) an open-end mutual fund established under the laws of Ontario; (b) a reporting issuer under the securities laws of each of the provinces and territories of Canada; and (c) qualified for distribution in all provinces and territories of Canada.

10. An investment by Tactical Class in units of Tactical Fund and an investment by Tactical Fund in units of the Underlying Funds will be made in accordance with the provisions of section 2.5 of NI 81-102, except for the requirement in section 2.5(2)(b). Tactical Fund's investment in units of ETFs will be made in accordance with the provisions of section 2.5 of NI 81-102, except for the requirement in section 2.5(2)(e) and from which the Filer has received exemptive relief on May 8, 2008 to pay arm's length third party brokers brokerage commissions for executing trades in units of the ETFs.

11. The three-tier fund structure that will result from Tactical Class' investment in units of Tactical Fund will be akin to, and no more complex than, the three-tier fund structure currently permitted under sections 2.5(4)(a) and 2.5(4)(b)(ii) of NI 81-102.

12. The simplified prospectus of Tactical Class will disclose that it will link its returns to Tactical Fund through the use of forward contracts and that Tactical Fund invests directly in a combination of ETFs and Underlying Funds. It will therefore be clear to investors that accountability for portfolio management is at the level of the Tactical Fund. In addition, the Filer will comply with the requirements under National Instrument 81-106 *Investment Fund Continuous Disclosure* relating to top 25 disclosure in the Management Report of Fund Performance as if the Tactical Class were invested directly in the ETFs and Underlying Funds. This will provide transparency to investors relating to the investment portfolio.

13. An investment by Tactical Fund in units of the ETFs and Underlying Funds represents the business judgment of responsible persons uninfluenced by considerations other than the best interests of Tactical Fund.

Decision

The principal regulator is satisfied that the decision meets the test set out in the Legislation for the principal regulator to make a decision.

The decision of the principal regulator under the Legislation is that the Exemption Sought is granted to allow Tactical Class to link its returns to Tactical Fund, provided that such investments are made in compliance with all other requirements of section 2.5 of NI 81-102, except to the extent that discretionary relief has been granted from any such requirements.

"Rhonda Goldberg"
Deputy Director, Investment Funds Branch
Ontario Securities Commission

2.1.4 Magma Energy Corp.

Headnote

Multilateral Instrument 11-102 Passport System and National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – National Instrument 52-107 Acceptable Accounting Principles, Auditing Standards and Reporting Currency, s. 9.1 – An issuer wants relief from the requirement to audit acquisition statements in accordance with Canadian or U.S. GAAS – the issuer acquired or will acquire a business whose historical financial statements have not been audited in accordance with Canadian or U.S. GAAS; the acquired business' financial statements have been audited in accordance with International Standards on Auditing; for various reasons, it would be impractical to re-audit the business' financial statements in accordance with Canadian or U.S. GAAS; the audit report will be accompanied by a statement by the auditor that describes any material differences in the form of report as compared to a Canadian GAAS audit report, and indicates that its report would not contain a reservation if it were prepared in accordance with Canadian GAAS.

National Instrument 44-101 Short Form Prospectus Distributions, s. 8.1 – Financial Statements – An issuer wants relief from the requirement to review interim acquisition statements in accordance with Canadian or U.S. GAAS – The issuer acquired or will acquire a business whose historical financial statements have not been audited in accordance with Canadian or U.S. GAAS; the acquired business' annual financial statements have been audited in accordance with International Standards on Auditing; the review of the interim acquisition statements will be done in accordance with the International Standards for Review Engagements.

Applicable Legislative Provisions

National Instrument 52-107 Acceptable Accounting Principles, Auditing Standards and Reporting Currency, ss. 6.2, 9.1.
National Instrument 44-101 Short Form Prospectus Distributions, ss. 4.3, 8.1.

June 18, 2010

IN THE MATTER OF
THE SECURITIES LEGISLATION OF
BRITISH COLUMBIA AND ONTARIO
(the Jurisdictions)

AND

IN THE MATTER OF
THE PROCESS FOR EXEMPTIVE RELIEF
APPLICATIONS IN MULTIPLE JURISDICTIONS

AND

IN THE MATTER OF
MAGMA ENERGY CORP.
(the Filer)

DECISION

Background

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

(a) the Filer be exempted from the requirement in section 6.2 of National Instrument 52-107 *Acceptable Accounting Principles, Auditing Standards and Reporting Currency* (NI 52-107) that acquisition statements must be audited in accordance with Canadian generally accepted auditing standards (Canadian GAAS) or United States generally accepted auditing standards (US GAAS) with respect to certain annual financial statements of Orka (as defined below) to be included in a short form prospectus of the Filer (the Prospectus) to be filed under National Instrument 44-101 *Short Form Prospectus Distributions* (NI 44-101) and in certain business acquisition reports (the BARs) required to be filed under section 8.2 of National Instrument 51-102 *Continuous Disclosure Obligations* (NI 51-102) for acquisitions by the Filer of shares of Orka, including the Transactions (as defined below);

(b) the Filer be exempted from the requirement in section 4.3 of NI 44-101 that any unaudited financial statements of Orka included in a short form prospectus be reviewed in accordance with Canadian GAAS or US GAAS with respect to certain interim financial statements of Orka to be included in the Prospectus (together with the relief requested in paragraph (a), the Requested Relief on Auditing Standards); and

(c) the Application and this decision be held in confidence by the Decision Makers (the Requested Confidentiality Relief).

Under the Process for Exemptive Relief Applications in Multiple Jurisdictions (for a dual application):

(a) the British Columbia Securities Commission is the principal regulator for this application;

(b) the Filer has provided notice that section 4.7(1) of Multilateral Instrument 11-102 (MI 11-102) is intended to be relied on in Alberta, Manitoba, Saskatchewan, New Brunswick, Newfoundland and Labrador, Nova Scotia, Prince Edward Island, Northwest Territories, Nunavut and Yukon; and

(c) this decision is the decision of the principal regulator and evidences the decision of the

securities regulatory authority or regulator in Ontario.

Interpretation

Terms defined in National Instrument 14-101 *Definitions* and MI 11-102 have the same meaning if used in this decision, unless otherwise defined.

Representations

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

1. the Filer's head office is located at 410 – 625 Howe Street, Vancouver, British Columbia, V6C 2T6;

2. the Filer is a corporation existing under the *Business Corporations Act* (British Columbia) with a financial year end of June 30;

3. the Filer is a reporting issuer in each of the provinces and territories of Canada, except Québec; the Filer is not in default of securities legislation in any jurisdiction, except for the requirement to file a BAR for the First Transaction (as defined below) by the due date of June 15, 2010;

4. the common shares of the Filer are listed and posted for trading on the Toronto Stock Exchange under the symbol "MXY";

5. the Filer's annual financial statements are prepared in accordance with Canadian generally accepted auditing principles (Canadian GAAP) and are audited in accordance with Canadian GAAS;

6. on December 14, 2009, the Filer completed an acquisition (the Initial BAR Transaction) of 32.32% of the outstanding shares of HS Orka hf (Orka); following this acquisition, the Filer held an aggregate of 40.94% of the issued and outstanding shares of Orka; the Initial BAR Transaction constituted a "significant acquisition" for the Filer within the meaning of section 8.3 of NI 51-102 and the Filer filed a business acquisition report for this acquisition on March 1, 2010;

7. on March 31, 2010, the Filer acquired an additional 2.25% of Orka's outstanding shares (the First Transaction);

8. on May 11, 2010, the Filer acquired an additional 2.99% of Orka's outstanding shares (the Second Transaction);

9. on May 17, 2010, the Filer entered into an agreement to acquire a further 52.35% of the issued and outstanding shares of Orka; should the transactions contemplated by this agreement (the Final Transaction and, together with the First Transaction and the Second Transaction, the Transactions) be completed, the Filer would hold 98.53% of the issued and outstanding shares of Orka;

10. as the First Transaction and the Second Transaction took place in the same financial year of the Filer as the Initial BAR Transaction, the Filer is required by section 8.3(11) of NI 51-102 to include the Initial BAR Transaction when determining whether the First Transaction and the Second Transaction each constitute a "significant acquisition" for the Filer within the meaning of section 8.3 of NI 51-102; accordingly, the Filer will be required to file separate BARs in accordance with section 8.2 of NI 51-102 for each of the First Transaction and the Second Transaction;

11. the Filer expects the Final Transaction to be completed in a financial year subsequent to the year in which the Initial BAR Transaction, the First Transaction, and the Second Transaction were completed; the Filer also expects that the Final Transaction will constitute a "significant acquisition" for the Filer within the meaning of section 8.3 of NI 51-102; accordingly, the Filer will be required to file a BAR in accordance with section 8.2 of NI 51-102 for the Final Transaction;

12. Orka is a limited liability company incorporated and domiciled in Iceland, and is not a public company;

13. Orka's auditor is KPMG hf, the Iceland affiliate of KPMG International, a global network of professional firms providing audit, tax and advisory services;

14. Orka's auditor has represented to the Filer that it has expertise and experience in International Standards on Auditing (ISA) as issued by the International Auditing and Assurance Standards Board (IAASB);

15. the Filer intends to file the Prospectus for an offering of securities in order to raise sufficient capital to complete the Final Transaction (the Proposed Offering);

16. under Item 10.2 of Form 44-101F1, certain historical audited annual financial statements and unaudited interim financial statements of Orka will be required to be included in the Prospectus;

17. under section 8.4 of NI 51-102, certain historical audited annual financial statements and unaudited interim financial statements of Orka will be required to be included in the BAR;

18. the Filer will include the financial statements required by section 8.4 of NI 51-102 and Item 10.2

of Form 44-101F1 in any BAR and Prospectus filed, for each acquisition as follows:

a. audited annual financial statements of Orka for the most recently completed financial year ended on or before the date of acquisition, with comparatives for the financial year immediately preceding the most recently completed financial year (the Orka Annual Financial Statements);

b. unaudited interim condensed financial statements of Orka for the most recently completed interim period ended after the annual audited financial statements but before the date of acquisition, with comparatives for the comparable period in the preceding financial year (the Orka Interim Financial Statements); and

c. pro forma financial statements;

19. the Orka Annual Financial Statements will be prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), audited in accordance with ISA as issued by the IAASB and will include a reconciliation to Canadian GAAP for the most recently completed financial year prior to the acquisition, in accordance with the requirements of subsection 6.1(4) of NI 52-107;

20. the Orka Interim Financial Statements will be prepared in accordance with IFRS as adopted by the EU, will be reviewed by Orka's auditors in accordance with the International Standards on Review Engagements as issued by the IAASB for inclusion in the Prospectus and will include a reconciliation to Canadian GAAP for the most recently completed financial period prior to the acquisition, in accordance with the requirements of subsection 6.1(4) of NI 52-107;

21. section 6.2 of NI 52-107 and section 4.3 of NI 44-101 do not permit the Filer to file the Orka Annual Financial Statements and the Orka Interim Financial Statements audited in accordance with ISA as issued by the IAASB or reviewed in accordance with the International Standards on Review Engagements as issued by the IAASB because the Filer is not a "foreign issuer" within the meaning of NI 52-107; and

22. having the Orka Annual Financial Statements audited a second time in accordance with Canadian GAAS and having the Orka Interim Financial Statements reviewed a second time in accordance with Canadian GAAS would cause the Filer substantial additional costs and management time and delay in filing the Prospectus.

Decision

Each of the Decision Makers is satisfied that the decision meets the test set out in the Legislation for the Decision Maker to make the decision.

The decision of the Decision Makers is that

1. the Requested Relief on Auditing Standards is granted, provided that:

   (a) the Orka Annual Financial Statements are audited in accordance with ISA as issued by the IAASB;

   (b) the Orka Interim Financial Statements are reviewed in accordance with International Standards on Review Engagements as issued by the IAASB; and

   (c) the auditor's report accompanying the Orka Annual Financial Statements contains or is accompanied by a statement by the auditor that:

      (i) describes any material differences in the form and content of the auditor's report as compared to an auditor's report prepared in accordance with Canadian GAAS; and

      (ii) indicates that an auditor's report prepared in accordance with Canadian GAAS would not contain a reservation; and

2. the Requested Confidentiality Relief is granted until the earlier of

   (a) the date the Filer publicly announces the Proposed Offering;

   (b) the date that a preliminary short form prospectus is filed in respect of the Proposed Offering, and

   (c) the date that is 90 days from the date of this decision.

"Martin Eady, CA"
Director, Corporate Finance
British Columbia Securities Commission

2.2 Orders

2.2.1 Lehman Brothers & Associates Corp. et al. – ss. 127(1), 127(5)

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

AND

IN THE MATTER OF
LEHMAN BROTHERS & ASSOCIATES CORP.,
GREG MARKS, MICHAEL LEHMAN (a.k.a.
MIKE LAYMEN), KENT EMERSON LOUNDS
AND GREGORY WILLIAM HIGGINS

TEMPORARY ORDER
Sections 127(1) & 127(5)

WHEREAS it appears to the Ontario Securities Commission (the "Commission") that:

1. TBS New Media Ltd. ("TBS") is a corporation incorporated pursuant to the laws of Ontario;

2. Shares in TBS were sold to investors in Ontario and throughout Canada purportedly pursuant to a private placement which was conducted from 2004 to 2008;

3. Lehman Brothers & Associates Corp. ("Lehman Corp.") is a company that was purportedly operating out of Montreal, Quebec and controlled by Michael (Mike) Lehman (a.k.a. Mike Laymen) ("Lehman").

4. In 2008 and 2009, representatives of Lehman Corp., including Greg Marks ("Marks"), solicited TBS shareholders to sell their shares in TBS at a substantial premium in exchange for an advance fee from these TBS shareholders;

5. TBS shareholders were instructed to wire the advance fee to bank accounts in Ontario in the name of Emerson Global Holdings ("Emerson") and/or Triad Holdings ("Triad");

6. In response to the solicitations by representatives of Lehman Corp. regarding their TBS shares, TBS shareholders transferred a total of approximately $225,000 to the accounts of Emerson and Triad and received nothing in return;

7. Keith Emerson Lounds ("Lounds") is a resident of Ontario and was the sole beneficiary and sole signing authority for the Emerson bank accounts at the time when funds from TBS shareholders were deposited into these accounts in Ontario;

8. Gregory William Higgins ("Higgins") is a resident of Ontario and was the sole beneficiary and sole signing authority for the Triad bank accounts at the time when funds from TBS shareholders were deposited into these accounts in Ontario;

9. As a result of its investigation to date, Staff are of the view that Lehman Corp., Marks, Lehman, Lounds, and Higgins may have engaged in the following conduct in violation of the Act:

   (i) trading in TBS securities without proper registration or appropriate exemption from the registration requirements under the Act, contrary to section 25 of the Act; and

   (ii) engaging or participating in acts or a course of conduct relating to the TBS securities that they knew or ought to have known perpetrates a fraud on any person or company contrary to section 126.1 of the Act.

AND WHEREAS the Commission is of the opinion that the time required to conclude a hearing could be prejudicial to the public interest as set out in s. 127(5) of the Act;

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

AND WHEREAS by Commission order made August 31, 2009 pursuant to section 3.5(3) of the Act, any one of W. David Wilson, James E. A. Turner, David L. Knight, Carol S. Perry, Patrick J. LeSage, James D. Carnwath and Mary G. Condon, acting alone, is authorized to make orders under section 127 of the Act;

IT IS ORDERED pursuant to clause 2 of subsection 127(1) of the Act that Lehman Corp., Marks, Lehman, Lounds, and Higgins cease trading in all securities;

IT IS FURTHER ORDERED pursuant to clause 3 of subsection 127(1) of the Act that any exemptions contained in Ontario securities law do not apply to Lehman Corp., Marks, Lehman, Lounds, and Higgins; and

IT IS FURTHER ORDERED pursuant to subsection 127(6) of the Act that this order shall take effect immediately and shall expire on the fifteenth day after its making unless extended by order of the Commission.

Dated at Toronto this 29th day of June, 2010

"David Wilson"

2.2.2 Anthony Ianno and Saverio Manzo

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

AND

IN THE MATTER OF
ANTHONY IANNO AND SAVERIO MANZO

ORDER

WHEREAS on March 8, 2010 the Ontario Securities Commission (the "Commission") issued a Notice of Hearing and Statement of Allegations in this matter pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c. S.5, as amended;

AND WHEREAS a pre-hearing conference was held in this matter on July 7, 2010;

AND WHEREAS Saverio Manzo ("Manzo") attended the pre-hearing conference in person, and Anthony Ianno ("Ianno") and Staff of the Commission ("Staff") were represented by counsel;

AND WHEREAS the Commission was advised that all parties consented to the following order;

IT IS ORDERED THAT:

1. A further pre-hearing conference will be held in this matter on Tuesday, November 16, 2010 at 10:00 am; and

2. The hearing on the merits in this matter will take place on the following dates: January 31, February 1, 2, 3, 4, 7, 9, 10, 11, 14, 15, 16, 17, 18, and 23, 2011, or on such further or other dates as shall be agreed by the parties and fixed by the Office of the Secretary.

DATED at Toronto this 7th day of July, 2010.

"Carol S. Perry"

2.2.3 ART Advanced Research Technologies Inc. – s. 144

Headnote

National Policy 11-203 Process for Exemptive Relief Applications in Multiple Jurisdictions – Order that the issuer is not a reporting issuer.

Applicable Legislative Provisions

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

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

AND

IN THE MATTER OF
ART ADVANCED RESEARCH TECHNOLOGIES INC.

ORDER
(Section 144)

WHEREAS the securities of ART Advanced Research Technologies Inc. (the "Applicant") are subject to a cease trade order made by the Director dated November 26, 2009 under subsections 127(1) and 127(5) of the Act and as extended by a further cease trade order made by the Director dated December 8, 2009 under subsection 127(1) of the Act directing that trading in the securities of the Applicant cease unless revoked by a further order of revocation (the "Cease Trade Order");

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

AND WHEREAS the Applicant has represented to the Commission that:

1. The Applicant was incorporated under the *Canada Business Corporations Act*, R.S.C. (1985), c. C-44 (the "CBCA") on October 13, 2006. Its head office is located at 2300, Alfred Nobel Boulevard, Montréal, Québec, H4S 2A4.

2. The Applicant offers molecular imaging products for the medical and pharmaceutical sectors.

3. The Applicant's authorized share capital consists of an unlimited number of Class A Common Shares. Currently, the only shares issued and outstanding are 2,877,388 Class A Common Shares.

4. The Applicant is a reporting issuer in all provinces of Canada.

5. The Cease Trade Order was issued due to the default of the Applicant to file interim financial statements and interim management's discussion and analysis as prescribed by National Instrument 51-102 – *Continuous Disclosure Obligations* for the period ended September 30, 2009 (together, the "Q3 Financials") within the prescribed deadline. No further financial statements or management's discussion and analysis have been filed by the Applicant since that time.

6. In addition to the Cease Trade Order, the Applicant is subject to the following cease trade orders, each of which was issued due to the failure of the Applicant to file its Q3 Financials:

   (a) order issued by the British Columbia Securities Commission on November 20, 2009;

   (b) order issued by the Manitoba Securities Commission on November 26, 2009; and

   (c) order issued by the Autorité des marchés financiers on December 4, 2009.

7. The Applicant is not in default of any requirements of the Cease Trade Order or the Act or the rules and regulations made pursuant thereto, subject to the deficiencies that led to the issuance of the Cease Trade Order.

8. The Applicant's common shares were delisted from the Toronto Stock Exchange at the close of business on December 11, 2009

9. No securities of ART are traded on a marketplace as defined in National Instrument 21¬101 *Marketplace Operation*.

10. On December 11, 2009, Dorsky Worldwide Corp. acquired all of the Applicant's issued and outstanding common shares pursuant to a reorganization under Section 191 of the *Canada Business Corporations Act* (Canada).

11. As a result, Dorsky Worldwide Corp. has been since December 11, 2009 the sole securityholder of the Applicant. Thus, 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.

12. The Applicant has no intention currently to seek financing by way of a private or public placement in a jurisdiction of Canada.

13. The Applicant has filed applications pursuant to Policy Statement 11-203 *Respecting Process for Exemptive Relief Applications in Multiple Jurisdictions* to cease to be a reporting issuer in all jurisdictions in which it is currently a reporting issuer, except British Columbia.

14. With respect to British Columbia, the Applicant applied to voluntarily surrender its status as a reporting issuer under British Columbia Instrument 11-502 - *Voluntary Surrender of Reporting Issuer Status* on February 9, 2010. As a result of such application, the Applicant ceased to be a reporting issuer in British Columbia effective February 19, 2010.

15. Upon the Applicant being deemed to have ceased to be a reporting issuer under the securities legislation of all provinces, the Applicant will no longer be a reporting issuer in any jurisdiction in Canada.

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

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

IT IS ORDERED, pursuant to section 144 of the Act, that the Cease Trade Order is fully revoked as of the date on which the Applicant ceases to be a reporting issuer under the Act.

DATED March 31, 2010.

"Michael Brown"
Assistant Manager, Corporate Finance Branch
Ontario Securities Commission

2.2.4 Agoracom Investor Relations Corp. et al.

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

AND

IN THE MATTER OF
AGORACOM INVESTOR RELATIONS CORP.,
AGORA INTERNATIONAL ENTERPRISES CORP.,
GEORGE TSIOLIS and APOSTOLIS KONDAKOS
(a.k.a. PAUL KONDAKOS)

ORDER

WHEREAS on April 1, 2010, the Ontario Securities Commission ("Commission") issued a Notice of Hearing, pursuant to sections 127 and 127.1 of the *Securities Act*, R.S.O. 1990, c.S.5, accompanied by a Statement of Allegations of Staff of the Commission ("Staff") for a hearing to commence on April 26, 2010;

AND WHEREAS at a hearing on April 26, 2010, counsel for Staff and counsel for the Respondents consented to the scheduling of a confidential pre-hearing conference on July 7, 2010;

AND WHEREAS at the pre-hearing conference on July 7, 2010, counsel for Staff and counsel for the Respondents consented to the scheduling of a further pre-hearing conference and the hearing on the merits;

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

IT IS ORDERED that:

1) a further confidential pre-hearing conference shall take place on September 21, 2010 at 9:00 a.m.; and

2) the hearing on the merits shall commence on February 14, 2011 at 10:00 a.m. and shall continue to and including March 11, 2011 (other than February 21 and 22 and March 8, 2011), or such further or other dates as shall be agreed to by the parties and fixed by the Office of the Secretary.

Dated at Toronto this 7th day of July, 2010

"James E. A. Turner"

2.2.5 Carlton Ivanhoe Lewis et al. – ss. 127(1), 127(8)

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

AND

IN THE MATTER OF
CARLTON IVANHOE LEWIS, MARK ANTHONY SCOTT, SEDWICK HILL, LEVERAGEPRO INC., PROSPOREX INVESTMENT CLUB INC., PROSPOREX INVESTMENTS INC., PROSPOREX LTD., PROSPOREX INC., PROSPOREX FOREX SPV TRUST, NETWORTH FINANCIAL GROUP INC., and NETWORTH MARKETING SOLUTIONS

TEMPORARY ORDER
(Sections 127(1) and (8))

WHEREAS on March 11, 2009 the Ontario Securities Commission (the "Commission") made a Temporary Order pursuant to subsections 127(1) and (5) of the *Securities Act*, R.S.O. 1990 c. S.5, as amended (the "Act") that (a) pursuant to clause 2 of subsection 127(1) of the Act all trading in securities of MSI Canada Inc., Prosporex Investment Club Inc. and Dominion Investments Club Inc. shall cease; (b) pursuant to clause 2 of the subsection 127(1) of the Act trading in any securities by all of the respondents shall cease; and (c) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to the respondents (the "Temporary Order");

AND WHEREAS on March 24, 2009, the Commission ordered that the Temporary Order of March 11, 2009 be extended to July 24, 2009, subject to an exception concerning the respondent Sedwick Hill;

AND WHEREAS on July 23, 2009, the Commission extended the Temporary Order to November 25, 2009 and adjourned the hearing to November 24, 2009 at 2:30 p.m.;

AND WHEREAS on August 25, 2009, the Commission varied the Temporary Order to remove the exception that had applied to the respondent Sedwick Hill and extended the Temporary Order, as varied, to November 24, 2009;

AND WHEREAS on November 24, 2009, the Commission added Prosporex Forex SPV Trust as a respondent, extended the Temporary Order, as varied, to January 18, 2010 and adjourned the hearing to January 15, 2010 at 10:00 a.m.;

AND WHEREAS on January 15, 2010, the Commission extended the Temporary Order to March 26, 2010 and adjourned the hearing to March 25, 2010 at 10:00 a.m.;

AND WHEREAS on March 12, 2010, Staff issued Statements of Allegations and Notices of Hearing in the following matters:

(1) with respect to Albert Leslie James (formerly identified as Albert James in the Temporary Order), Ezra Douse and Dominion Investments Club Inc.;

(2) with respect to Wilton J. Neale (formerly identified as Wilton John Neale in the Temporary Order), Multiple Streams of Income (MSI) Inc. (formerly identified as MSI Canada In. in the Temporary Order) and 360 Degree Financial Services Inc.; and

(3) with respect to Carlton Ivanhoe Lewis, Mark Anthony Scott, Sedwick Hill, Leverage Pro Inc. (formerly identified as LeveragePro Inc. in the Temporary Order), Prosporex Investment Club Inc., Prosporex Investments Inc., Prosporex Ltd., Prosporex Inc., Prosporex Forex SPV Trust, Networth Financial Group Inc., and Networth Marketing Solutions;

AND WHEREAS the Commission held a hearing in this matter on March 25, 2010 and made an Order governing disclosure and extending the Temporary Order to May 14, 2010;

AND WHEREAS on May 13, 2010, the Commission held a hearing in this matter as well as an *in camera* pre-hearing conference, and extended the Temporary Order to June 17, 2010;

AND WHEREAS on June 16, 2010, the Commission held a hearing in this matter, Staff requested an extension of the Temporary Order and a date for the hearing of the matter, and the above-named respondents did not appear but gave their consent to the order requested by Staff or did not object to it;

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

AND WHEREAS by Commission order made August 31, 2009, pursuant to subsection 3.5(3) of the Act, each of W. David Wilson, James E. A. Turner, David L. Knight, Carol S. Perry, Patrick LeSage, James D. Carnwath and Mary Condon, acting alone, is authorized to make orders under subsection 127(8) of the Act;

IT IS ORDERED THAT:

(1) the Temporary Order insofar as it relates to the above-named respondents is extended to July 14, 2010 on the same terms as the Order dated March 26, 2010; and

(2) a hearing in this matter will take place commencing on July 13, 2010 at 10:00 a.m. or such further or other dates as agreed to by the parties and fixed by the Office of the Secretary of the Commission.

DATED at Toronto this 16th day of June, 2010.

"James E. A. Turner"

2.2.6 Albert Leslie James et al. – ss. 127(1), 127(8)

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

AND

IN THE MATTER OF
ALBERT LESLIE JAMES, EZRA DOUSE
and DOMINION INVESTMENTS CLUB INC.

TEMPORARY ORDER
(Sections 127(1) and (8))

WHEREAS on March 11, 2009 the Ontario Securities Commission (the "Commission") made a Temporary Order pursuant to subsections 127(1) and (5) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") that (a) pursuant to clause 2 of subsection 127(1) of the Act, all trading in securities of MSI Canada Inc., Prosporex Investment Club Inc. and Dominion Investments Club Inc. shall cease; (b) pursuant to clause 2 of subsection 127(1) of the Act, trading in any securities by all of the respondents shall cease; and (c) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions in Ontario securities law do not apply to the respondents (the "Temporary Order");

AND WHEREAS on March 24, 2009, the Commission ordered that the Temporary Order of March 11, 2009 be extended to July 24, 2009, subject to an exception concerning the respondent Sedwick Hill;

AND WHEREAS on July 23, 2009, the Commission extended the Temporary Order to November 25, 2009 and adjourned the hearing to November 24, 2009 at 2:30 p.m.;

AND WHEREAS on August 25, 2009, the Commission varied the Temporary Order to remove the exception that had applied to the respondent Sedwick Hill and extended the Temporary Order as varied, to November 24, 2009;

AND WHEREAS on November 24, 2009, the Commission added Prosporex Forex SPV Trust as a respondent, extended the Temporary Order, as varied, to January 18, 2010 and adjourned the hearing to January 15, 2010 at 10:00 a.m.;

AND WHEREAS on January 15, 2010, the Commission extended the Temporary Order to March 26, 2010 and adjourned the hearing to March 25, 2010 at 10:00 a.m.;

AND WHEREAS on March 12, 2010, Staff issued Statements of Allegations and Notices of Hearing in the following matters:

(1) with respect to Albert Leslie James (formerly identified as Albert James in the Temporary Order), Ezra Douse and Dominion Investments Club Inc.;

(2) with respect to Wilton J. Neale (formerly identified as Wilton John Neale in the Temporary Order), Multiple Streams of Income (MSI) Inc. (formerly identified as MSI Canada Inc. in the Temporary Order) and 360 Degree Financial Services Inc.; and

(3) with respect to Carlton Ivanhoe Lewis, Mark Anthony Scott, Sedwick Hill, Leverage Pro Inc. (formerly identified as LeveragePro Inc. in the Temporary Order), Prosporex Investment Club Inc., Prosporex Investments Inc., Prosporex Ltd., Prosporex Inc., Prosporex Forex SPV Trust, Networth Financial Group Inc., and Networth Marketing Solutions;

AND WHEREAS the Commission held a hearing in this matter on March 25, 2010 and made an Order governing disclosure and extending the Temporary Order to May 14, 2010;

AND WHEREAS on May 13, 2010, the Commission held a hearing in this matter as well as an *in camera* pre-hearing conference and extended the Temporary Order to June 17, 2010;

AND WHEREAS on June 16, 2010, the Commission held a hearing in this matter, Staff requested an extension of the Temporary Order and a date for the hearing of the matter, and the above-named respondents did not appear but gave their consent to the order requested by Staff or did not object to it;

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

AND WHEREAS by Commission order made August 31, 2009, pursuant to subsection 3.5(3) of the Act, each of W. David Wilson, James E. A. Turner, David L. Knight, Carol S. Perry, Patrick LeSage, James D. Carnwath and Mary Condon, acting alone, is authorized to make orders under subsection 127(8) of the Act;

IT IS ORDERED THAT:

(1) the Temporary Order insofar as it relates to the above-named respondents is extended to July 14, 2010 ; and

(2) a hearing in this matter will take place commencing on July 13, 2010 at 2:00 p.m. or such further or other dates as agreed to by the parties and fixed by the Office of the Secretary of the Commission.

DATED at Toronto this 16th day of June, 2010.

"James E. A. Turner"

2.2.7 Wilton J. Neale et al. – ss. 127(1), 127(8)

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

AND

**IN THE MATTER OF
WILTON J. NEALE,
MULTIPLE STREAMS OF INCOME (MSI) INC.
and 360 DEGREE FINANCIAL SERVICES INC.**

**TEMPORARY ORDER
(Sections 127(1) and (8))**

WHEREAS on March 11, 2009 the Ontario Securities Commission (the "Commission") made a Temporary Order pursuant to subsections 127(1) and (5) of the *Securities Act*, R.S.O. 1990 c. S.5, as amended (the "Act") that (a) pursuant to clause 2 of subsection 127(1) of the Act all trading in securities of MSI Canada Inc., Prosporex Investment Club Inc. and Dominion Investments Club Inc. shall cease; (b) pursuant to clause 2 of the subsection 127(1) of the Act trading in any securities by all of the respondents shall cease; and (c) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to the respondents (the "Temporary Order");

AND WHEREAS on March 24, 2009, the Commission ordered that the Temporary Order of March 11, 2009 be extended to July 24, 2009, subject to an exception concerning the respondent Sedwick Hill;

AND WHEREAS on July 23, 2009, the Commission extended the Temporary Order to November 25, 2009 and adjourned the hearing to November 24, 2009 at 2:30 p.m.;

AND WHEREAS on August 25, 2009, the Commission varied the Temporary Order to remove the exception that had applied to the respondent Sedwick Hill and extended the Temporary Order, as varied, to November 24, 2009;

AND WHEREAS on November 24, 2009, the Commission added Prosporex Forex SPV Trust as a respondent, extended the Temporary Order, as varied, to January 18, 2010 and adjourned the hearing to January 15, 2010 at 10:00 a.m.;

AND WHEREAS on January 15, 2010, the Commission extended the Temporary Order to March 26, 2010 and adjourned the hearing to March 25, 2010 at 10:00 a.m.;

AND WHEREAS on March 12, 2010, Staff issued Statements of Allegations and Notices of Hearing in the following matters:

(1) with respect to Albert Leslie James (formerly identified as Albert James in the Temporary Order), Ezra Douse and Dominion Investments Club Inc.;

(2) with respect to Wilton J. Neale (formerly identified as Wilton John Neale in the Temporary Order), Multiple Streams of Income (MSI) Inc. (formerly identified as MSI Canada In. in the Temporary Order) and 360 Degree Financial Services Inc.; and

(3) with respect to Carlton Ivanhoe Lewis, Mark Anthony Scott, Sedwick Hill, Leverage Pro Inc. (formerly identified as LeveragePro Inc. in the Temporary Order), Prosporex Investment Club Inc., Prosporex Investments Inc., Prosporex Ltd., Prosporex Inc., Prosporex Forex SPV Trust, Networth Financial Group Inc., and Networth Marketing Solutions;

AND WHEREAS the Commission held a hearing in this matter on March 25, 2010 and made an Order governing disclosure and extending the Temporary Order to May 14, 2010;

AND WHEREAS on May 13, 2010, the Commission held a hearing in this matter as well as an *in camera* pre-hearing conference and extended the Temporary Order to June 17, 2010;

AND WHEREAS on June 16, 2010, the Commission held a hearing in this matter, Staff requested an extension of the Temporary Order and a date for the hearing of the matter, and the above-named respondents did not appear but gave their consent to the order requested by Staff or did not object to it;

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

AND WHEREAS by Commission order made August 31, 2009, pursuant to subsection 3.5(3) of the Act, each of W. David Wilson, James E. A. Turner, David L. Knight, Carol S. Perry, Patrick LeSage, James D. Carnwath and Mary Condon, acting alone, is authorized to make orders under subsection 127(8) of the Act;

IT IS ORDERED THAT:

(1) the Temporary Order insofar as it relates to the above-named respondents is extended to July 14, 2010 on the same terms as the Order dated March 26, 2010; and

(2) a hearing in this matter will take place commencing on July 13, 2010 at 2:00 p.m. or such further or other dates as agreed to by the parties and fixed by the Office of the Secretary of the Commission.

DATED at Toronto this 16th day of June, 2010.

"James E. A. Turner"

2.2.8 Hillcorp International Services et al. – ss. 127(1), 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
HILLCORP INTERNATIONAL SERVICES,
HILLCORP WEALTH MANAGEMENT,
SUNCORP HOLDINGS, 1621852 ONTARIO LIMITED,
STEVEN JOHN HILL, and DANNY DE MELO

ORDER
Sections 127(1), 127(7) and 127(8)

WHEREAS on July 21, 2009 the Ontario Securities Commission (the "Commission") issued a temporary cease trade order (the "Temporary Order") and on July 24, 2009 issued an amended temporary cease trade order (the "Amended Order") pursuant to subsections 127(1) and 127(5) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") ordering the following:

1. that all trading in any securities by 1621852 Ontario Limited ("162 Ontario"), Hillcorp International Services ("Hillcorp International"), Hillcorp Wealth Management ("Hillcorp Wealth"), Suncorp Holdings or their agents or employees shall cease;

2. that all trading in any securities by Steven John Hill ("Hill"), John C. McArthur ("McArthur"), Daryl Renneberg ("Renneberg") and Danny De Melo ("De Melo") shall cease;

3. that the exemptions contained in Ontario securities law do not apply to 162 Limited, Hillcorp International, Hillcorp Wealth, Suncorp Holdings or their agents or employees; and

4. that the exemptions contained in Ontario securities law do not apply to Hill, McArthur, Renneberg and De Melo;

AND WHEREAS on July 21, 2009 the Commission ordered that the Temporary Order shall expire on the 15th day after its making unless extended by the Commission and on July 24, 2009 the Commission ordered that the Amended Order shall expire on August 5, 2009;

AND WHEREAS the Commission ordered on August 5, 2009 that the Amended Order was extended until February 8, 2010 on certain terms set out in that Order;

AND WHEREAS the Commission ordered on February 5, 2010 that the Amended Order was further extended until July 12, 2010 on certain terms set out in that Order, and that the hearing was adjourned to July 9, 2010 at 10:00 am. On February 5, 2010, Staff of the Commission ("Staff") informed the panel that they did not seek to extend the Amended Order against McArthur;

AND WHEREAS Renneberg entered into a Settlement Agreement with Staff dated April 23, 2010, which was approved by order of the Commission on April 27, 2010;

AND WHEREAS Staff of the Commission ("Staff") request a further order continuing the Amended Order against 162 Ontario, Hillcorp International, Hillcorp Wealth, Suncorp Holdings, Hill and De Melo;

AND WHEREAS the Commission reviewed the written consent of Hillcorp International, Hillcorp Wealth, Suncorp Holdings, 162 Ontario, Hill and De Melo;

AND WHEREAS the Commission heard submissions from counsel for Staff;

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

IT IS HEREBY ORDERED pursuant to subsections 127(7) and 127(8) of the Act that the Amended Order is further extended against 162 Ontario, Hillcorp International, Hillcorp Wealth, Suncorp Holdings, Hill and De Melo to February 28, 2011 and specifically:

1. that all trading in any securities by and of 162 Ontario, Hillcorp International, Hillcorp Wealth and Suncorp Holdings shall cease;

2. that the exemptions contained in Ontario securities law do not apply to 162 Limited, Hillcorp International, Hillcorp Wealth and Suncorp Holdings or their agents or employees;

3. that all trading in any securities by Hill and De Melo shall cease; and

4. that the exemptions contained in Ontario securities law do not apply to Hill and De Melo.

IT IS FURTHER ORDERED that the Hearing is adjourned to Friday February 25, 2011 at 10:00 am.

Dated at Toronto this 9th day of July, 2010

"Carol S. Perry"

2.2.9 Global Energy Group, Ltd. and New Gold Limited Partnerships

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

AND

IN THE MATTER OF
GLOBAL ENERGY GROUP, LTD. AND
NEW GOLD LIMITED PARTNERSHIPS

ORDER
(Subsection 127(8))

WHEREAS on July 10, 2008, the Ontario Securities Commission (the "Commission") issued a Temporary Order, pursuant to subsections 127(1) and (5) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act"), that all trading by Global Energy Group, Ltd. ("Global Energy") and the New Gold Limited Partnerships (the "New Gold Partnerships") and their officers, directors, employees and/or agents in securities of the New Gold Partnerships shall cease (the "Temporary Order");

AND WHEREAS on July 10, 2008, the Commission ordered that the Temporary Order shall expire on the 15th day after its making unless extended by order of the Commission;

AND WHEREAS on July 15, 2008, the Commission issued a Notice of Hearing to consider, among other things, the extension of the Temporary Order, such hearing to be held on July 23, 2008 at 11:00 a.m.;

AND WHEREAS the Notice of Hearing sets out that the hearing is to consider, *inter alia*, whether, in the opinion of the Commission, it is in the public interest, pursuant to subsections 127(7) and (8) of the Act, to extend the Temporary Order until such time as considered necessary by the Commission;

AND WHEREAS a hearing was held on July 23, 2008 at 11:00 a.m. where Staff and counsel for Global Energy appeared but no counsel appeared for the New Gold Partnerships;

AND WHEREAS on July 23, 2008, the Temporary Order was continued until August 6, 2008 and the hearing in this matter was adjourned until August 5, 2008 at 3:00 p.m. on consent of Staff and counsel for Global Energy;

AND WHEREAS a hearing was held on August 5, 2008 at 3:00 p.m. where Staff and counsel for Global Energy appeared but no counsel appeared for the New Gold Partnerships;

AND WHEREAS on August 5, 2008, the Temporary Order was continued until December 4, 2008 and the hearing in this matter was adjourned until December 3, 2008 at 10:00 a.m. on consent of Staff and counsel for Global Energy;

AND WHEREAS on December 3, 2008, on the basis of the record for the written hearing and on consent of Staff and counsel for Global Energy, a Panel of the Commission ordered that the Temporary Order be extended until June 11, 2009 and that the hearing in this matter be adjourned to June 10, 2009, at 10:00 a.m.;

AND WHEREAS on June 10, 2009, Staff advised the Commission that Victor Tsatskin, a.k.a. Vadim Tsatskin ("Tsatskin"), an agent of Global Energy, would not be attending the hearing and was not opposed to Staff's request for the extension of the Temporary Order and no counsel has communicated with Staff on behalf of New Gold Partnerships;

AND WHEREAS on June 10, 2009, on hearing the submissions of Staff, a Panel of the Commission ordered that the Temporary Order be extended until October 9, 2009 and that the hearing in this matter be adjourned to October 8, 2009, at 10:00 a.m.;

AND WHEREAS on October 8, 2009, on hearing the submissions of Staff, a Panel of the Commission ordered that the Temporary Order be extended until March 11, 2010 and that the hearing in this matter be adjourned to March 10, 2010, at 10:00 a.m.;

AND WHEREAS on March 10, 2010, on hearing the submissions of Staff, a Panel of the Commission ordered that the Temporary Order be extended until July 12, 2010 and that the hearing in this matter be adjourned to July 9, 2010, at 11:30 a.m.;

AND WHEREAS on July 6, 2010, Staff communicated with Tsatskin, an agent of Global Energy, advising him of this appearance and Tsatskin advised Staff that he is not opposed to an extension of the Temporary Order until September 1, 2010;

AND WHEREAS no counsel or individual has communicated with Staff on behalf of New Gold Partnerships;

AND WHEREAS on July 9, 2010, counsel for Staff appeared and made submissions before the Commission and no person appeared on behalf of Global Energy or New Gold;

AND WHEREAS pursuant to subsection 127(8) satisfactory information has not been provided to the Commission by any of the Respondents;

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

IT IS HEREBY ORDERED, pursuant to subsection 127(8) of the Act, that the Temporary Order is extended to September 1, 2010 and that the hearing in this matter is adjourned to September 1, 2010, at 1:00 p.m. or on such other date as provided by the Secretary's Office and agreed to by the parties.

DATED at Toronto this 9th day of July, 2010.

"Carol S. Perry"

2.2.10 MLB Industries Inc. – s. 144

Headnote

Application by an issuer for a revocation of a cease trade order issued by the Commission – cease trade order issued because the issuer had failed to file certain continuous disclosure materials required by Ontario securities law – defaults subsequently remedied by bringing continuous disclosure filings up-to-date – cease trade order revoked.

Applicable Legislative Provisions

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

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

AND

IN THE MATTER OF
MLB INDUSTRIES INC.

ORDER
(Section 144)

WHEREAS the securities of MLB Industries Inc. (the **Filer**) are currently subject to a cease trade order made by the Director on March 6, 2008 under paragraph 2 and paragraph 2.1 of subsection 127(1) of the Act, as extended by a further order made by the Director dated March 18, 2008 pursuant to paragraph 2 of subsection 127(1) of the Act, directing that all trading in and acquisitions of the securities of the Filer, whether direct or indirect, cease until the order is revoked by the Director (the **Ontario Cease Trade Order**);

AND WHEREAS the Filer has applied to the Ontario Securities Commission (the **Commission**) pursuant to section 144 of the Act (the **Application**) for a revocation of the Ontario Cease Trade Order;

AND UPON the Filer has represented to the Commission that:

1. The Filer was incorporated under the *Business Corporations Act* (Alberta) on July 21, 1989.

2. The registered office of the Filer is located 1000 – 250 2nd Street S.W., Calgary, Alberta T2P 0C1 and its head office is located at 1274, 3rd Avenue South, Lethbridge, Alberta T1J 0J9.

3. The Filer is authorized to issue an unlimited number of common shares (the **Common Shares**). As at May 31, 2010 there were 99,967,000 Common Shares issued and outstanding.

4. Other than the Common Shares, the Filer has no securities (including debt securities) issued and outstanding.

5. The Filer is a reporting issuer in the Provinces of British Columbia, Alberta and Ontario.

6. The Cease Trade Order was issued as a result of the failure by the Filer to file with the Commission its audited annual financial statements for the financial year ended October 31, 2007, within the time periods required by the Act, which failure to file was caused by the financial distress of the Filer.

7. The Filer is also subject to a cease trade order issued by the B.C. Securities Commission (**BCSC**) dated March 5, 2008 (the **BC Order**) and the Alberta Securities Commission (**ACS**) dated March 4, 2008 (the **Alberta Order**) and has concurrently applied to the BCSC and the ASC for revocations of the BC Order and the Alberta Order.

8. On March 31, 2008 the Filer filed its annual financial statements for the year ended October 31, 2007 and related Management's discussion and analysis (**MD&A**) on SEDAR. On July 20, 2008 the Filer filed a management information circular with respect to its special and annual general meeting held on August 7, 2008. On June 25, 2008 the Filer filed its interim financial statements for the period ended April 30, 2008 and related MD&A. On September 25, 2008 the Filer filed its interim financial statements for the period ended July 31, 2008 and related MD&A. On April 8, 2010 the Filer filed its audited financial statements for the years ended October 31, 2008 and October 31, 2009, and for the period ended January 31, 2010. On April 13, 2010 the Filer filed the related MD&A for the years ended October 31, 2008 and October 31, 2009, and for the period ended January 31, 2010. On June 29, 2010 the Applicant filed its unaudited financial statements for the three and six-months ended April 30, 2010 and related MD&A. On July 7, 2010 the Filer filed Form 13-502F1 for each of 2008 and 2009.

9. The Filer's SEDAR and SEDI profiles are up-to-date.

10. The Filer has filed an undertaking with the Commission that it will hold an annual meeting of shareholders within three months of the date of this Order.

11. Other than the Cease Trade Order, the Filer is not in default of any of the requirements of the Act, or the rules and regulations made pursuant thereto, and has paid all outstanding fees.

12. Other than the Cease Trade Order, the BC Order and the Alberta order, the Filer has not previously been subject to a cease trade order.

13. The Filer is up-to-date with all of its other continuous disclosure obligations and has paid any outstanding participation fees, filing fees and late fees associated with those obligations owing to the Commission in connection with the disclosure documents referred to in paragraph 8 above and has filed all of the forms associated with such payments.

14. The Common Shares of the Filer are listed on the Canadian National Stock Exchange under the symbol “BMP”.

15. Upon the issuance of this Order, the Filer will issue a press release announcing the revocation of the Cease Trade Order of the Filer. The Filer will concurrently file the press release and material change report on SEDAR.

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

AND WHEREAS the Director being satisfied that it would not be prejudicial to the public interest;

IT IS ORDERED pursuant to section 144 of the Act that the Ontario Cease Trade Order is revoked.

DATED this 14th day of July, 2010.

“Naizam Kanji”
Deputy Director, Corporate Finance
Ontario Securities Commission

2.2.11 CNSX Markets Inc. – s. 144 of the Act

Headnote

Application under section 144 of the Act to vary and restate an order recognizing CNSX Markets Inc. as a stock exchange.

Applicable Legislative Provision

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 21, 144.

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

AND

IN THE MATTER OF
CNSX MARKETS INC.

VARIATION TO RECOGNITION ORDER
(Section 144 of the Act)

WHEREAS the Commission issued an order dated February 28, 2003, recognizing the Canadian Trading and Quotation System Inc. (CNQ) as a quotation and trade reporting system (QTRS) pursuant to section 21 of the Act (CNQ QTRS Recognition Order);

AND WHEREAS the Commission issued an order dated May 7, 2004, as varied on September 9, 2005, June 13, 2006, and May 16, 2008, granting recognition to CNQ as a stock exchange pursuant to section 21 of the Act and revoking the CNQ QTRS Recognition Order pursuant to section 144 of the Act (CNQ Exchange Recognition Order);

AND WHEREAS CNQ changed its name to CNSX Markets Inc. (CNSX Markets) on November 4, 2008;

AND WHEREAS the Commission has determined that it is not prejudicial to the public interest to issue this order that varies and restates the CNQ Exchange Recognition Order to reflect the name change, update the financial viability and systems-related terms and conditions, add an outsourcing term and condition, update Schedule A, Appendix C relating to eligible issuers, and make certain additional amendments;

IT IS ORDERED, pursuant to section 144 of the Act, that the CNQ Exchange Recognition Order be varied and restated as follows:

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

AND

IN THE MATTER OF
CNSX MARKETS INC.

RECOGNITION ORDER
(Section 21 of the Act)

WHEREAS the Commission issued an order dated February 28, 2003, recognizing the Canadian Trading and Quotation System Inc. (CNQ) as a quotation and trade reporting system (QTRS) pursuant to section 21 of the Act (CNQ QTRS Recognition Order);

AND WHEREAS the Commission issued an order dated May 7, 2004, as varied on September 9, 2005, June 13, 2006, and May 16, 2008, granting recognition to CNQ as a stock exchange pursuant to section 21 of the Act and revoking the CNQ QTRS Recognition Order pursuant to section 144 of the Act (CNQ Exchange Recognition Order);

AND WHEREAS CNQ changed its name to CNSX Markets Inc. (CNSX Markets) on November 4, 2008;

AND WHEREAS CNSX Markets operates the Canadian National Stock Exchange (CNSX) and the Alternative Market facility, Pure Trading (Pure):

AND WHEREAS CNSX Markets has made an application (Application) to continue its recognition under a varied and restated recognition order to reflect the name change, update the financial viability and systems-related terms and conditions, add an outsourcing term and condition; update Schedule A, Appendix C relating to eligible issuers and make certain additional amendments (collectively, the Amendments);

AND WHEREAS the Commission has received certain representations and undertakings from CNSX Markets in connection with the Application;

AND WHEREAS CNSX Markets will continue to comply with National Instrument 21-101 *Marketplace Operation* and National Instrument 23-101 *Trading Rules*;

AND WHEREAS the Commission considers it appropriate to set out in this order the terms and conditions of CNSX Markets' continued recognition as a stock exchange, which terms and conditions are set out in Schedule A;

AND WHEREAS CNSX Markets has agreed to the terms and conditions set out in Schedule A;

AND WHEREAS the Commission is of the opinion that the continued recognition of CNSX Markets as a stock exchange, subject to the terms and conditions set out in Schedule A would not be prejudicial to the public interest;

THE COMMISSION HEREBY continues to recognize CNSX Markets as a stock exchange pursuant to section 21 of the Act, subject to the terms and conditions set out in Schedule A.

DATED May 7, 2004, as varied on September 9, 2005, June 13, 2006, May 16, 2008 and as varied and restated on July 6, 2010.

"James E. A. Turner"

"Carol S. Perry"

SCHEDULE A

TERMS AND CONDITIONS

1. CORPORATE GOVERNANCE

1.1 CNSX Markets' arrangements with respect to the appointment, removal from office and functions of the persons ultimately responsible for making or enforcing the rules, policies and other similar instruments (Rules) of CNSX Markets, namely, the board of directors (Board), are such as to ensure a proper balance between the interests of the different entities desiring access to the facilities of CNSX Markets (CNSX Dealers) and companies seeking to be listed on CNSX (CNSX Issuers), and a reasonable number and proportion of directors are "independent" in order to ensure diversity of representation on the Board. An independent director is a director that is not:

(a) an associate, director, officer or employee of a CNSX Dealer;

(b) an officer or employee of CNSX Markets or its affiliates;

(c) an associate, director, officer or employee of any person or company who owns or controls, directly or indirectly, over 10% of CNSX Markets; or

(d) a person who owns or controls, directly or indirectly, over 10% of CNSX Markets.

In particular, CNSX Markets will ensure that at least fifty per cent (50%) of its directors are independent. In the event that at any time CNSX Markets fails to meet such requirement, it will promptly remedy such situation.

1.2 Without limiting the generality of the foregoing, CNSX Markets' governance structure provides for:

(a) fair and meaningful representation on its Board, in the context of the nature and structure of CNSX Markets, and any governance committee thereto and in the approval of Rules;

(b) appropriate representation of independent directors on any CNSX Markets Board committees; and

(c) appropriate qualifications, remuneration, conflict of interest provisions and limitation of liability and indemnification protections for directors and officers and employees of CNSX Markets generally.

2. FITNESS

2.1 In order to ensure that CNSX Markets operates with integrity and in the public interest, CNSX Markets will take reasonable steps to ensure that each person or company that owns or controls, directly or indirectly, more than 10% of CNSX Markets and each officer or director of CNSX Markets is a fit and proper person and the past conduct of each person or company that owns or controls, directly or indirectly, more than 10% of CNSX Markets and each officer or director of CNSX Markets affords reasonable grounds for belief that the business of CNSX Markets will be conducted with integrity.

3. FAIR AND APPROPRIATE FEES

3.1 Any and all fees imposed by CNSX Markets will be equitably allocated. Fees will not have the effect of creating barriers to access and must be balanced with the criterion that CNSX Markets will have sufficient revenues to satisfy its responsibilities.

3.2 CNSX Markets' process for setting fees will be fair, appropriate and transparent.

4. ACCESS

4.1 CNSX Markets' requirements will permit all properly registered dealers that are members of a recognized SRO and satisfy access requirements established by CNSX Markets to access the facilities of CNSX Markets.

4.2 Without limiting the generality of the foregoing, CNSX Markets will:

(a) establish written standards for granting access to CNSX Dealers trading on its facilities;

(b) not unreasonably prohibit or limit access by a person or company to services offered by it; and

(c) keep records of:

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

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

5. FINANCIAL VIABILITY

5.1 CNSX Markets will maintain sufficient financial resources for the proper performance of its functions.

5.2 CNSX Markets will deliver to Commission staff its annual financial budget, together with the underlying assumptions, that has been approved by its Board, within 30 days after the commencement of each fiscal year. Such financial budget should include monthly projected revenues, expenses and cash flows.

5.3 CNSX Markets shall calculate monthly the following financial ratios:

(a) a current ratio, being the ratio of current assets to current liabilities;

(b) a debt to cash flow ratio, being the ratio of total debt (including any line of credit draw downs, and the current and long-term portions of any loans, but excluding accounts payable, accrued expenses and other liabilities) to EBITDA (or earnings before interest, taxes, stock based compensation, depreciation and amortization) for the most recent 12 months; and

(c) a financial leverage ratio, being the ratio of total assets to shareholders' equity,

in each case following the same accounting principles as those used for the audited financial statements of CNSX Markets.

5.4 CNSX Markets will report quarterly (along with the financial statements required to be delivered pursuant to section 10.1) to Commission staff the monthly calculations for the previous quarter of the financial ratios as required to be calculated under section 5.3.

5.5 Depending on the results of the calculations under section 5.3, CNSX Markets may be required to provide additional reporting as set out below.

(a) If CNSX Markets determines that it does not have, or anticipates that, in the next twelve months, it will not have:

(i) a current ratio of greater than or equal to 1.1/1,

(ii) a debt to cash flow ratio of less than or equal to 4.0/1, or

(iii) a financial leverage ratio of less than or equal to 4.0/1,

it will immediately notify Commission staff of the above ratio(s) that it is not maintaining, the reasons, along with an estimate of the length of time before the ratio(s) will be maintained.

(b) Upon receipt of a notification made by CNSX Markets pursuant to paragraph (a), the Commission or its staff may, as determined appropriate, impose terms or conditions on CNSX Markets, which may include any of the terms and conditions set out in paragraphs 5.6(b) and (c).

5.6 If CNSX Markets' current ratio, debt to cash flow ratio or financial leverage ratio falls below the levels outlined in subparagraphs 5.5(a)(i), (ii) and (iii) above for a period of more than three months, CNSX Markets will:

(a) immediately deliver a letter advising Commission staff of the reasons for the continued ratio deficiencies and the steps being taken to rectify the situation;

(b) deliver to Commission staff, on a monthly basis, within 30 days of the end of each month:

(i) unaudited monthly financial statements and a status update on any pending capital raising transaction(s) including the amount, terms and name(s) of individuals/entities that have committed to providing funding and their commitment,

(ii) a comparison of the monthly revenues and expenses incurred by CNSX Markets against the projected monthly revenues and expenses included in CNSX Markets' most recently updated budget for that fiscal year,

(iii) for each revenue item whose actual was significantly lower than its projected amount, and for each expense item whose actual was significantly higher than its projected amount, the reasons for the variance, and

(iv) a calculation of the current ratio, debt to cash flow ratio and financial leverage ratio for the month;

(c) prior to making any type of payment to any director, officer, related company or shareholder that is in excess of the amount included in the most recent annual financial budget delivered to Commission staff, demonstrate to the satisfaction of Commission staff that it will have sufficient financial resources to continue its operations after the payment; and

(d) adhere to any additional terms or conditions imposed by the Commission or its staff, as determined appropriate, on CNSX Markets,

until such time as CNSX Markets has maintained each of its current ratio, debt to cash flow ratio and financial leverage ratio at the levels outlined in subparagraphs 5.5(a)(i), (ii) and (iii) for a period of at least 6 consecutive months.

6. REGULATION

6.1 CNSX Markets will maintain its ability to perform its regulation functions including setting requirements governing the conduct of CNSX Dealers and CNSX Issuers and disciplining CNSX Dealers and CNSX Issuers, whether directly or indirectly through a regulation services provider.

6.2 CNSX Markets will continue to retain the Investment Industry Regulatory Organization of Canada (IIROC, the successor to Market Regulation Services Inc.) as a regulation services provider to provide certain regulation services which have been approved by the Commission. CNSX Markets will provide to the Commission, on an annual basis, a list outlining the regulation services performed by IIROC and the regulation services performed by CNSX Markets. All amendments to those listed services are subject to the prior approval of the Commission.

6.3 CNSX Markets will provide the Commission with an annual report with such information regarding its affairs as may be requested from time to time. The annual report will be in such form as may be specified by the Commission from time to time.

6.4 CNSX Markets will perform all other regulation functions not performed by its regulation services provider.

6.5 Management of CNSX Markets (including the President) will at least annually assess the performance by its regulation services provider of its regulation functions and report to the Board, together with any recommendations for improvements. CNSX Markets will provide the Commission with copies of such reports and will advise the Commission of any proposed actions arising therefrom.

6.6 CNSX Markets will provide the Commission with the information set out in Appendix A, as amended from time to time.

7. CAPACITY AND INTEGRITY OF SYSTEMS

7.1 CNSX Markets will maintain, in accordance with prudent business practice, reasonable controls to ensure capacity, integrity requirements and security of its technology systems.

8. PURPOSE OF RULES

8.1 CNSX Markets will establish Rules that are necessary or appropriate to govern and regulate all aspects of its business and affairs.

8.2 More specifically, CNSX Markets will ensure that:

(a) the Rules are designed to:

(i) ensure compliance with securities legislation,

(ii) prevent fraudulent and manipulative acts and practices,

(iii) promote just and equitable principles of trade,

(iv) foster cooperation and coordination with persons or companies engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in, securities, and

(v) provide for appropriate discipline;

(b) the Rules do not:

(i) permit unreasonable discrimination among CNSX Issuers and CNSX Dealers, or

(ii) impose any burden on competition that is not necessary or appropriate in furtherance of securities legislation; and

(c) the Rules are designed to ensure that its business is conducted in a manner so as to afford protection to investors.

9. RULES AND RULE-MAKING

9.1 CNSX Markets will comply with the rule review process set out in Appendix B, as amended from time to time, concerning Commission approval of changes to its Rules.

10. FINANCIAL STATEMENTS

10.1 CNSX Markets will file unaudited quarterly financial statements within 60 days of each quarter end and audited annual financial statements within 90 days of each year end.

11. DISCIPLINARY POWERS

11.1 CNSX Markets will have general disciplinary and enforcement provisions in its Rules that will apply to any person or company subject to its regulation.

11.2 CNSX Markets will ensure, through IIROC and otherwise, that any person or company subject to its regulation is appropriately sanctioned for violations of the Rules. In addition, CNSX Markets will provide notice to the Commission of any violations of securities legislation of which it becomes aware in the ordinary course of its business.

12. DUE PROCESS

12.1 CNSX Markets will ensure that its requirements relating to access to its facilities, the imposition of limitations or conditions on access and denial of access are fair and reasonable, including in respect of giving notice, giving parties an opportunity to be heard or make representations, keeping records, giving reasons and providing for appeals of its decisions.

13. INFORMATION SHARING

13.1 CNSX Markets will share information and otherwise co-operate with the Commission and its staff, the Canadian Investor Protection Fund, other Canadian exchanges and recognized self-regulatory organizations and regulatory authorities responsible for the supervision or regulation of securities firms and financial institutions, subject to the applicable privacy or other laws about the sharing of information and the protection of personal information.

14. ISSUER REGULATION

14.1 CNSX Markets will ensure that only the issuers set out in Appendix C, as amended from time to time, are eligible for listing on CNSX.

14.2 CNSX Markets may, in accordance with the requirements for qualification for trading on Pure set out in its Rules, designate certain listed securities as eligible for trading on Pure without approving such securities for an additional listing.

14.3 CNSX Markets has and will continue to ensure that it has sufficient authority over its CNSX listed issuers.

14.4 CNSX Markets will carry out appropriate review procedures to monitor and enforce listed issuer compliance with the Rules.

14.5 CNSX Markets will amend its Policies and Forms, from time to time, at the request of the Director, Corporate Finance, to reflect changes to the disclosure requirements of Ontario securities law.

15. CLEARING AND SETTLEMENT

15.1 The Rules impose a requirement on CNSX Dealers to have appropriate arrangements in place for clearing and settlement through a clearing agency recognized by the Commission under the Act.

16. MARKETPLACE REGULATORY REQUIREMENTS

16.1 CNSX Markets will comply with the requirements set out in National Instrument 21-101 *Marketplace Operation* and in National Instrument 23-101 *Trading Rules*.

17. OUTSOURCING

17.1 In any material outsourcing of any of its business functions to a third party, CNSX Markets will proceed in accordance with industry best practices. Without limiting the generality of the foregoing, CNSX Markets will:

(a) establish and maintain policies and procedures that are approved by its Board for the evaluation and approval of such material outsourcing arrangements;

(b) in entering into any such material outsourcing arrangement:

(i) assess the risk of such arrangement, the quality of the service to be provided and the degree of control to be maintained by CNSX Markets, and

(ii) execute a contract with the service provider addressing all significant elements of such arrangement, including service levels and performance standards;

(c) ensure that any contract implementing such material outsourcing arrangement that is likely to impact on CNSX Markets' regulation functions provide for CNSX Markets, its agents and the Commission to be permitted to have access to and to inspect all data and information maintained by the service provider that CNSX Markets is required to share under section 13.1 or that is required for the assessment by the Commission of the performance of CNSX Markets of its regulation functions and the compliance of CNSX Markets with the terms and conditions in this Schedule A; and

(d) monitor the performance of the service provided under such material outsourcing arrangement.

18. ADDITIONAL INFORMATION

18.1 CNSX Markets will provide the Commission with any additional information the Commission may require from time to time.

Appendix A

Reporting Obligations

1. Quarterly Reporting on Exemptions or Waivers Granted

On a quarterly basis, CNSX Markets will submit to the Commission a report summarizing all exemptions or waivers granted pursuant to the rules, policies or other similar instruments (Rules) to any CNSX Dealer or CNSX Issuer during the period. This summary should include the following information:

(a) The name of the CNSX Dealer or CNSX Issuer;

(b) The type of exemption or waiver granted during the period;

(c) The date of the exemption or waiver; and

(d) A description of CNSX Markets staff's reason for the decision to grant the exemption or waiver.

2. Quarterly Reporting on Listing Applications

On a quarterly basis, CNSX Markets will submit to the Commission a report containing the following information:

(a) The number of listing applications filed;

(b) The number of listing applications that were accepted;

(c) The number of listing applications that were rejected and the reasons for rejection, by category;

(d) The number of listing applications that were withdrawn or abandoned and, if known, the reasons why the application was withdrawn or abandoned, by category;

(e) The number of listing applications filed by CNSX Issuers as a result of a Fundamental Change;

(f) The number of listing applications filed by CNSX Issuers as a result of a Fundamental Change that were accepted;

(g) The number of listing applications filed by CNSX Issuers as a result of a Fundamental Change that were rejected and the reasons for rejection, by category;

(h) The number of listing applications filed by CNSX Issuers as a result of a Fundamental Change that were withdrawn or abandoned and, if known, the reasons why the application was withdrawn or abandoned, by category.

In each of the foregoing cases, the numbers shall be broken down by industry category and in any other manner that a Director of the Commission requests.

3. Notification of Suspensions and Disqualifications

If a CNSX Issuer has been suspended or disqualified from qualification for listing, CNSX Markets will immediately issue a notice setting out the reasons for the suspension and file this information with the Commission.

4. General

CNSX Markets will continue to comply with the reporting obligations under the Automation Review Program.

Appendix B

Rule Review Process

1. CNSX Markets will file with the Commission each new or amended rule, policy and other similar instrument (Rule) adopted by its Board.

2. More specifically, CNSX Markets will file the following information:

   (a) the Rule;

   (b) a notice of publication including:

      (i) a description of the Rule and its impact;

      (ii) a concise statement, together with supporting analysis, of the nature, purpose and intended effect of the Rule;

      (iii) the possible effects of the Rule on marketplace participants, competition and the costs of compliance;

      (iv) a description of the rule-making process, including a description of the context in which the Rule was developed, the process followed, the issues considered, the consultation process undertaken, the alternative approaches considered and the reasons for rejecting the alternatives;

      (v) where the Rule requires technological changes to be made by CNSX Markets, CNSX Dealers or CNSX Issuers, CNSX Markets will provide a description of the implications of the Rule and, where possible, an implementation plan, including a description of how the Rule will be implemented and the timing of the implementation;

      (vi) a reference to other jurisdictions including an indication as to whether another regulator in Canada, the United States or another jurisdiction has a comparable rule or has made or is contemplating making a comparable rule and, if applicable, a comparison of the Rule to the rule of the other jurisdiction;

      (vii) whether the Rule is classified as “public interest” or “housekeeping”; and

      (viii) where the Rule is classified as “housekeeping”, the effective date of the Rule.

3. For the purposes of the Rule Review Process, a Rule may be classified as “housekeeping” if it does not affect the meaning, intent or substance of an existing rule and involves only:

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

   (b) stylistic formatting, including changes to headings or paragraph numbers;

   (c) amendments required to ensure consistency with an existing approved rule; or

   (d) changes in routine procedures and administrative practices of CNSX Markets provided that such changes do not impose any significant burden or any barrier to competition that is not appropriate.

   Any rule falling outside of this definition would be categorized as a “public interest” Rule. Prior to proposing a Rule that is of a “public interest” nature, as defined above, the Board of CNSX Markets shall have determined that the entry into force of such “public interest” Rule would be in the best interests of the capital markets in Ontario. The material filed with the Commission in relation to “public interest” Rules shall be accompanied by a statement to that effect.

4. Where a Rule has been classified as “public interest”, the Commission will publish for a 30 day comment period in its bulletin or on its website the notice filed by CNSX Markets and the Rule. If amendments to the Rule are necessary as a result of comments received, Commission staff shall have discretion to determine whether the Rule should be re-published for comment. If the Rule is re-published, the request for comment shall include CNSX Markets’ summary of comments and responses thereto together with an explanation of the revisions to the Rule and the supporting rationale for the amendments.

5. A "public interest" Rule will be effective as of the date of Commission approval or on a date determined by CNSX Markets, whichever is later. A "housekeeping" Rule shall be deemed to have been approved upon being filed with the Commission, unless staff of the Commission communicate to CNSX Markets, within five business days of receipt of the Rule, their disagreement with CNSX Markets' classification of the Rule as "housekeeping" and the reasons for their disagreement. Where staff of the Commission disagree with CNSX Markets' classification, CNSX Markets shall re-file the Rule as a "public interest" Rule. A "housekeeping" Rule shall be effective on the date indicated by CNSX Markets in the filing.

6. The Commission shall publish a Notice of Commission Approval of both "public interest" and "housekeeping" Rules in its bulletin or on its website. All such notices relating to "public interest" Rules shall also include CNSX Markets' summary of comments and responses thereto. All such notices relating to "housekeeping" Rules shall be accompanied by the notice filed by CNSX Markets and the Rule itself.

7. If CNSX Markets is of the view that there is an urgent need to implement a Rule, CNSX Markets may make a Rule effective immediately upon approval by CNSX Markets' Board provided that CNSX Markets:

   (a) provides the Commission with written notice of the urgent need to implement the Rule prior to the submission of the Rule to CNSX Markets' Board; and

   (b) includes in the notice referenced in 2(b) an analysis in support of the need for immediate implementation of the Rule.

8. If the Commission does not agree that immediate implementation is necessary, Commission staff will advise CNSX Markets that the Commission disagrees and provide the reasons for its disagreement. If no notice is received by CNSX Markets within 5 business days of the Commission receiving CNSX Markets' notification, CNSX Markets shall assume that the Commission agrees with its assessment.

9. A Rule that is implemented immediately shall be published, reviewed and approved in accordance with the procedure set out above. Where the Commission subsequently disapproves a Rule that was implemented immediately, CNSX Markets shall repeal the Rule and publish a notice informing its marketplace participants.

10. The terms, conditions and procedures set out in this section may be varied or waived by Commission staff. A waiver or variation may be specific or general and may be made for a time or for all time. The waiver or variation must be in writing by Commission staff.

Appendix C

Eligible Issuers

1. Subject to section 2 below, only an issuer that:

   (a) is a reporting issuer or the equivalent in a jurisdiction in Canada; or

   (b) is proposing to list debt securities issued or guaranteed by a government in Canada that are exempt from the prospectus requirements under clause 73(1)(a) of the Act; or

   (c) is proposing to list debt securities issued or guaranteed by a financial institution that are exempt from the prospectus requirements under clause 73(1)(b) of the Act; and

   (d) is not in default of any requirements of securities legislation in any jurisdiction in Canada,

   is eligible for listing. However, if an issuer is eligible for listing under paragraph (b) or (c) above, CNSX may only list debt securities of the issuer that are contemplated by those paragraphs unless the issuer files and obtains a receipt for a preliminary prospectus and a prospectus in a jurisdiction in Canada.

2. An issuer that is a reporting issuer in a jurisdiction in Canada but is not considered eligible under the Rules due to the process by which it became a reporting issuer, is ineligible for listing unless it:

   (a) files and obtains a receipt for a preliminary prospectus and a prospectus in a jurisdiction in Canada; and

   (b) is not in default of any requirements of securities legislation in any jurisdiction in Canada.

2.2.12 Wilton J. Neale et al. – ss. 127(10, 127(8)

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

AND

**IN THE MATTER OF
WILTON J. NEALE,
MULTIPLE STREAMS OF INCOME (MSI) INC.
and 360 DEGREE FINANCIAL SERVICES INC.**

**TEMPORARY ORDER
(Sections 127(1) and (8))**

WHEREAS on March 11, 2009 the Ontario Securities Commission (the "Commission") made a Temporary Order pursuant to subsections 127(1) and (5) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") that (a) pursuant to clause 2 of subsection 127(1) of the Act all trading in securities of MSI Canada Inc., Prosporex Investment Club Inc. and Dominion Investments Club Inc. shall cease; (b) pursuant to clause 2 of the subsection 127(1) of the Act trading in any securities by all of the respondents shall cease; and (c) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to the respondents (the "Temporary Order");

AND WHEREAS on March 24, 2009, the Commission ordered that the Temporary Order be extended to July 24, 2009, subject to an exception concerning the respondent Sedwick Hill;

AND WHEREAS on July 23, 2009, the Commission extended the Temporary Order to November 25, 2009 and adjourned the hearing to November 24, 2009 at 2:30 p.m.;

AND WHEREAS on August 25, 2009, the Commission varied the Temporary Order to remove the exception that had applied to the respondent Sedwick Hill and extended the Temporary Order, as varied, to November 24, 2009;

AND WHEREAS on November 24, 2009, the Commission added Prosporex Forex SPV Trust as a respondent, extended the Temporary Order, as varied, to January 18, 2010 and adjourned the hearing to January 15, 2010 at 10:00 a.m.;

AND WHEREAS on January 15, 2010, the Commission extended the Temporary Order, as varied, to March 26, 2010 and adjourned the hearing to March 25, 2010 at 10:00 a.m.;

AND WHEREAS on March 12, 2010, Staff issued Statements of Allegations and Notices of Hearing in the following matters:

(1) with respect to Albert Leslie James (formerly identified as Albert James in the Temporary Order), Ezra Douse and Dominion Investments Club Inc.;

(2) with respect to Wilton J. Neale (formerly identified as Wilton John Neale in the Temporary Order), Multiple Streams of Income (MSI) Inc. (formerly identified as MSI Canada Inc. in the Temporary Order) and 360 Degree Financial Services Inc.; and

(3) with respect to Carlton Ivanhoe Lewis, Mark Anthony Scott, Sedwick Hill, Leverage Pro Inc. (formerly identified as LeveragePro Inc. in the Temporary Order), Prosporex Investment Club Inc., Prosporex Investments Inc., Prosporex Ltd., Prosporex Inc., Prosporex Forex SPV Trust, Networth Financial Group Inc., and Networth Marketing Solutions;

AND WHEREAS the Commission held a hearing in this matter on March 25, 2010 and issued an Order dated March 26, 2010 governing disclosure and extending the Temporary Order, as varied, to May 14, 2010;

AND WHEREAS on May 13, 2010, the Commission held a hearing in this matter as well as an *in camera* pre-hearing conference and extended the Temporary Order, as varied, to June 17, 2010;

AND WHEREAS on June 16, 2010, the Commission held a hearing in this matter, Staff requested an extension of the Temporary Order, as varied, and a date for the hearing of the matter, and the respondents did not appear but gave their consent to the order requested by Staff or did not object to it;

AND WHEREAS on July 13, 2010, the Commission held a hearing in this matter, and Staff requested a date for the hearing on the merits and an extension of the Temporary Order, as varied, until the completion of the hearing on the merits and release of the decision on the merits;

AND WHEREAS on July 13, 2010, the respondents did not appear at the hearing, and Staff advised that Wilton J. Neale has not responded to communications from Staff in relation to the matter;

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

AND WHEREAS by Commission order made August 31, 2009, pursuant to subsection 3.5(3) of the Act, each of W. David Wilson, James E. A. Turner, David L. Knight, Carol S. Perry, Patrick LeSage, James D. Carnwath and Mary Condon, acting alone, is authorized to make orders under subsection 127(8) of the Act;

IT IS ORDERED THAT:

(1) the Temporary Order, as varied, is extended until the completion of the hearing on the merits and release of the decision on the merits, on the same terms as the Order dated March 26, 2010; and

(2) the hearing on the merits in this matter shall commence on September 29, 2010 at 10:00 a.m., and continue to and including October 1, 2010, or such further or other dates as agreed to by the parties and fixed by the Office of the Secretary of the Commission.

DATED at Toronto this 13th day of July, 2010.

"James E. A. Turner"

2.2.13 Albert Leslie James et al. – ss. 127(1), 127(8)

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

AND

IN THE MATTER OF
ALBERT LESLIE JAMES, EZRA DOUSE
and DOMINION INVESTMENTS CLUB INC.

TEMPORARY ORDER
(Sections 127(1) and (8))

WHEREAS on March 11, 2009 the Ontario Securities Commission (the "Commission") made a Temporary Order pursuant to subsections 127(1) and (5) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") that (a) pursuant to clause 2 of subsection 127(1) of the Act, all trading in securities of MSI Canada Inc., Prosporex Investment Club Inc. and Dominion Investments Club Inc. shall cease; (b) pursuant to clause 2 of subsection 127(1) of the Act, trading in any securities by all of the respondents shall cease; and (c) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions in Ontario securities law do not apply to the respondents (the "Temporary Order");

AND WHEREAS on March 24, 2009, the Commission ordered that the Temporary Order be extended to July 24, 2009, subject to an exception concerning the respondent Sedwick Hill;

AND WHEREAS on July 23, 2009, the Commission extended the Temporary Order to November 25, 2009 and adjourned the hearing to November 24, 2009 at 2:30 p.m.;

AND WHEREAS on August 25, 2009, the Commission varied the Temporary Order to remove the exception that had applied to the respondent Sedwick Hill and extended the Temporary Order, as varied, to November 24, 2009;

AND WHEREAS on November 24, 2009, the Commission added Prosporex Forex SPV Trust as a respondent, extended the Temporary Order, as varied, to January 18, 2010 and adjourned the hearing to January 15, 2010 at 10:00 a.m.;

AND WHEREAS on January 15, 2010, the Commission extended the Temporary Order, as varied, to March 26, 2010 and adjourned the hearing to March 25, 2010 at 10:00 a.m.;

AND WHEREAS on March 12, 2010, Staff issued Statements of Allegations and Notices of Hearing in the following matters:

(1) with respect to Albert Leslie James (formerly identified as Albert James in the

Temporary Order), Ezra Douse and Dominion Investments Club Inc.;

(2) with respect to Wilton J. Neale (formerly identified as Wilton John Neale in the Temporary Order), Multiple Streams of Income (MSI) Inc. (formerly identified as MSI Canada Inc. in the Temporary Order) and 360 Degree Financial Services Inc.; and

(3) with respect to Carlton Ivanhoe Lewis, Mark Anthony Scott, Sedwick Hill, Leverage Pro Inc. (formerly identified as LeveragePro Inc. in the Temporary Order), Prosporex Investment Club Inc., Prosporex Investments Inc., Prosporex Ltd., Prosporex Inc., Prosporex Forex SPV Trust, Networth Financial Group Inc., and Networth Marketing Solutions;

AND WHEREAS the Commission held a hearing in this matter on March 25, 2010 and issued an Order dated March 26, 2010 extending the Temporary Order, as varied, to May 14, 2010;

AND WHEREAS on March 25, 2010, Staff advised that counsel for Albert Leslie James and Ezra Douse agreed to provide Staff with an undertaking related to disclosure;

AND WHEREAS on May 13, 2010, the Commission held a hearing in this matter as well as an *in camera* pre-hearing conference and extended the Temporary Order, as varied, to June 17, 2010;

AND WHEREAS on June 16, 2010, the Commission held a hearing in this matter, Staff requested an extension of the Temporary Order, as varied, and a date for the hearing of the matter, and the respondents did not appear but gave their consent to the order requested by Staff or did not object to it;

AND WHEREAS on July 13, 2010, the Commission held a hearing in this matter, and Staff requested that the Temporary Order, as varied, be extended to August 17, 2010, and that the hearing be adjourned to August 16, 2010, and counsel for Albert Leslie James, Ezra Douse and Dominion Investments Club Inc. consented;

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

AND WHEREAS by Commission order made August 31, 2009, pursuant to subsection 3.5(3) of the Act, each of W. David Wilson, James E. A. Turner, David L. Knight, Carol S. Perry, Patrick LeSage, James D. Carnwath and Mary Condon, acting alone, is authorized to make orders under subsection 127(8) of the Act;

IT IS ORDERED THAT:

(1) the Temporary Order, as varied, is extended to August 17, 2010; and

(2) the hearing of this matter is adjourned to August 16, 2010 at 2:30 p.m. or such further or other dates as agreed to by the parties and fixed by the Office of the Secretary of the Commission.

DATED at Toronto this 13th day of July, 2010.

"James E. A. Turner"

2.2.14 Lehman Brothers & Associates 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
LEHMAN BROTHERS & ASSOCIATES CORP.,
GREG MARKS, MICHAEL LEHMAN (a.k.a.
MIKE LAYMEN), KENT EMERSON LOUNDS
AND GREGORY WILLIAM HIGGINS

ORDER
(Subsections 127(7) and 127(8))

WHEREAS on June 29, 2010, the Ontario Securities Commission (the "Commission") issued a temporary order (the "Temporary Order") pursuant to subsections 127(1) and 127(5) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") ordering the following:

(i) that Lehman Brothers & Associates Corp. ("Lehman Corp."), Greg Marks ("Marks"), Michael (Mike) Lehman (a.k.a. Mike Laymen) ("Lehman"), Kent Emerson Lounds ("Lounds') and Gregory William Higgins ("Higgins"), collectively the "Respondents", cease trading in all securities; and

(ii) that any exemptions contained in Ontario securities law do not apply to the Respondents;

AND WHEREAS on June 29, 2010, the Commission ordered that the Temporary Order shall expire on the 15th day after its making unless extended by order of the Commission;

AND WHEREAS on July 6, 2010, the Commission issued a notice of hearing to consider, among other things, the extension of the Temporary Order, to be held on July 12, 2010 at 10:30 a.m. (the "Notice of Hearing");

AND WHEREAS the Notice of Hearing set out that the hearing (the "Hearing") is to consider, amongst other things, whether in the opinion of the Commission it is in the public interest, pursuant to subsections 127(7) and (8) of the Act, to extend the Temporary Order until the conclusion of the Hearing, or until such further time as considered necessary by the Commission;

AND WHEREAS on July 12, 2010, a hearing was held before the Commission which counsel for Staff of the Commission ("Staff") attended but no one attended on behalf of the Respondents;

AND WHEREAS on July 12, 2010, Staff provided the Commission with the Affidavit of Dale Victoria Grybauskas, sworn on July 9, 2010, describing the attempts of Staff to serve the Respondents with copies of the Temporary Order, the Notice of Hearing and the Affidavit of Stephen Carpenter;

AND WHEREAS on July 12, 2010, the Commission was satisfied that Staff had properly served or attempted to serve the Respondents with copies of the Temporary Order, the Notice of Hearing and the Affidavit of Stephen Carpenter;

AND WHEREAS on July 12, 2010, counsel for Staff informed the Commission that counsel for Higgins could not attend the hearing but was content that the Temporary Order be extended;

AND WHEREAS on July 12, 2010, the Commission considered the evidence and submissions before it and the Commission was of the opinion that satisfactory information was not provided to it by the Respondents and that it was in the public interest to extend the Temporary Order;

IT IS HEREBY ORDERED pursuant to subsections 127 (7) and (8) of the Act that the Temporary Order is extended to September 9, 2010; and

IT IS FURTHER ORDERED that the Hearing is adjourned to September 8, 2010, at 10:30 a.m.

DATED at Toronto this 12th day of July, 2010.

"James E. A. Turner"

2.2.15 Carlton Ivanhoe Lewis et al. – ss. 127(1), 127(8)

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

AND

**IN THE MATTER OF
CARLTON IVANHOE LEWIS, MARK ANTHONY SCOTT, SEDWICK HILL, LEVERAGEPRO INC., PROSPOREX INVESTMENT CLUB INC., PROSPOREX INVESTMENTS INC., PROSPOREX LTD., PROSPOREX INC., PROSPOREX FOREX SPV TRUST, NETWORTH FINANCIAL GROUP INC., and NETWORTH MARKETING SOLUTIONS**

**TEMPORARY ORDER
(Sections 127(1) and (8))**

WHEREAS on March 11, 2009 the Ontario Securities Commission (the "Commission") made a Temporary Order pursuant to subsections 127(1) and (5) of the *Securities Act*, R.S.O. 1990, c. S.5, as amended (the "Act") that (a) pursuant to clause 2 of subsection 127(1) of the Act all trading in securities of MSI Canada Inc., Prosporex Investment Club Inc. and Dominion Investments Club Inc. shall cease; (b) pursuant to clause 2 of the subsection 127(1) of the Act trading in any securities by all of the respondents shall cease; and (c) pursuant to clause 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law do not apply to the respondents (the "Temporary Order");

AND WHEREAS on March 24, 2009, the Commission ordered that the Temporary Order be extended to July 24, 2009, subject to an exception concerning the respondent Sedwick Hill;

AND WHEREAS on July 23, 2009, the Commission extended the Temporary Order to November 25, 2009 and adjourned the hearing to November 24, 2009 at 2:30 p.m.;

AND WHEREAS on August 25, 2009, the Commission varied the Temporary Order to remove the exception that had applied to the respondent Sedwick Hill and extended the Temporary Order, as varied, to November 24, 2009;

AND WHEREAS on November 24, 2009, the Commission added Prosporex Forex SPV Trust as a respondent, extended the Temporary Order, as varied, to January 18, 2010 and adjourned the hearing to January 15, 2010 at 10:00 a.m.;

AND WHEREAS on January 15, 2010, the Commission extended the Temporary Order, as varied, to March 26, 2010 and adjourned the hearing to March 25, 2010 at 10:00 a.m.;

AND WHEREAS on March 12, 2010, Staff issued Statements of Allegations and Notices of Hearing in the following matters:

(1) with respect to Albert Leslie James (formerly identified as Albert James in the Temporary Order), Ezra Douse and Dominion Investments Club Inc.;

(2) with respect to Wilton J. Neale (formerly identified as Wilton John Neale in the Temporary Order), Multiple Streams of Income (MSI) Inc. (formerly identified as MSI Canada Inc. in the Temporary Order) and 360 Degree Financial Services Inc.; and

(3) with respect to Carlton Ivanhoe Lewis, Mark Anthony Scott, Sedwick Hill, Leverage Pro Inc. (formerly identified as LeveragePro Inc. in the Temporary Order), Prosporex Investment Club Inc., Prosporex Investments Inc., Prosporex Ltd., Prosporex Inc., Prosporex Forex SPV Trust, Networth Financial Group Inc., and Networth Marketing Solutions;

AND WHEREAS the Commission held a hearing in this matter on March 25, 2010 and issued an Order dated March 26, 2010 governing disclosure and extending the Temporary Order, as varied, to May 14, 2010;

AND WHEREAS on May 13, 2010, the Commission held a hearing in this matter as well as an in camera pre-hearing conference, and extended the Temporary Order, as varied, to June 17, 2010;

AND WHEREAS on June 16, 2010, the Commission held a hearing in this matter, Staff requested an extension of the Temporary Order, as varied, and a date for the hearing of the matter, and the respondents did not appear but gave their consent to the order requested by Staff or did not object to it;

AND WHEREAS on July 13, 2010, the Commission held a hearing in this matter, and Staff requested a date for the hearing on the merits and an extension of the Temporary Order, as varied, until the completion of the hearing on the merits and release of the decision on the merits;

AND WHEREAS on July 13, 2010, Sedwick Hill, Mark Anthony Scott and counsel for Carlton Ivanhoe Lewis consented to the orders requested by Staff;

AND WHEREAS on July 13, 2010, counsel for Carlton Ivanhoe Lewis advised that Carlton Ivanhoe Lewis had signed a Notice of Intention to Act in Person;

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

AND WHEREAS by Commission order made August 31, 2009, pursuant to subsection 3.5(3) of the Act, each of W. David Wilson, James E. A. Turner, David L. Knight, Carol S. Perry, Patrick LeSage, James D. Carnwath and Mary Condon, acting alone, is authorized to make orders under subsection 127(8) of the Act;

IT IS ORDERED THAT that:

(1) the Temporary Order, as varied, is extended until the completion of the hearing on the merits and release of the decision on the merits, on the same terms as the Order dated March 26, 2010; and

(2) the hearing on the merits in this matter shall commence on January 10, 2011 at 10:00 a.m., and continue January 12 to and including January 24, 2011, or such further or other dates as agreed to by the parties and fixed by the Office of the Secretary of the Commission.

DATED at Toronto this 13th day of July, 2010.

"James E. A. Turner"

2.3 Rulings

2.3.1 Heathbridge Capital Management Ltd. – ss. 74(1), 144(1)

Headnote

Relief from the prospectus requirement of the Act to permit the distribution of pooled fund securities to managed accounts held by non-accredited investors on an exempt basis – NI 45-106 containing carve-out for managed accounts in Ontario prohibiting portfolio manager from making exempt distributions of securities of its proprietary pooled funds to its managed account clients in Ontario unless managed account client qualifies as accredited investor or invests $150,000 – portfolio manager providing bona fide portfolio management services to high net worth clients – Not all managed account clients are accredited investors – portfolio manager permitted to make exempt distributions of proprietary pooled funds to its managed accounts provided written notice is delivered to clients advising them of the relief granted – portfolio manager is restricted from distributing proprietary pooled fund securities to parties other than its managed account clients.

Applicable Legislative Provisions

Securities Act, R.S.O. 1990, c. S.5, as am., ss. 53, 74(1), 144(1).

Rules Cited

National Instrument 45-106 Prospectus and Registration Exemptions.
National Instrument 31-103 Registration Requirements and Exemptions.

July 9, 2010

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

AND

IN THE MATTER OF
HEATHBRIDGE CAPITAL MANAGEMENT LTD.
(the "Filer")

RULING
(Subsections 74(1) and 144(1) of the Act)

Background

The Ontario Securities Commission (the "**Commission**") has received an application from the Filer, on behalf of itself, the Heathbridge U.S. Pooled Fund and the Heathbridge Checkmark✓ Equity Pooled Fund (the "**Existing Funds**") and any open-ended investment fund that is not a reporting issuer established and managed by the Filer after the date hereof (a "**Future Fund**" and, together with the Existing Funds, the "**Funds**"), for a ruling (the "**Requested Relief**"), (i) pursuant to subsection 74(1) of the Act, that distributions of units of the Funds to Secondary Clients (as defined below) and to Permitted Clients (as defined below) to whom the Filer provides Managed Services (as defined below) through Managed Accounts (as defined below) will not be subject to the prospectus requirement (the "**Prospectus Requirement**") under section 53 of the Act, and (ii) pursuant to subsection 144(1) of the Act to revoke and replace the Prior Ruling (as defined below).

Interpretation

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

Representations

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

1. The Filer was incorporated under the laws of Ontario and its head office is in Ontario.

2. The Filer is registered under the Act as an adviser, in the category of portfolio manager, and as a dealer, in the category of exempt market dealer. The Filer is also registered as an adviser, in the category of portfolio manager, in Alberta, British Columbia, Saskatchewan, Manitoba, Quebec, Nova Scotia and New Brunswick (the "**Other Jurisdictions**").

3. The Filer is the trustee, manager, primary portfolio advisor and principal distributor of the Existing Funds and will act in a similar capacity for each Future Fund. The Filer has not currently retained, but may retain, a sub-advisor in respect of a Fund.

4. Each Existing Fund is, and each Future Fund will be, an open-end investment fund that is not a reporting issuer.

5. The Filer provides discretionary investment management services ("**Managed Services**") to individuals (including tax deferred plans for which such individuals or their spouses or children are the beneficiaries), corporations, charitable foundations and other entities (each, a "**Client**") through a managed account (a "**Managed Account**").

6. The Managed Services are provided pursuant to an investment management agreement (the "**IMA**") between the Filer and the Client.

7. The Filer generally provides Managed Services to Clients ("**Primary Clients**") who are "accredited investors" within the meaning of National Instrument 45-106 – *Prospectus and Registration Exemptions* ("**NI 45-106**"). However, from time to time, the Filer may agree to provide services to Clients ("**Secondary Clients**") who are not accredited investors but who are accepted by the Filer because they have a relationship to a Primary Client and are within a category contemplated by a ruling of the Commission dated May 5, 2006 (the "**Prior Ruling**"). The Filer also has other Clients ("**Permitted Clients**") who are not accredited investors and who are not Secondary Clients. Permitted Clients may be (i) Clients who were Primary Clients or Secondary Clients at the time they became Clients but who are no longer an "accredited investor" or who no longer satisfy the criteria to be a Secondary Client; (ii) Clients who have a relationship with a Primary Client or a Secondary Client but the relationship does not satisfy the criteria to be a Secondary Client; or (iii) Clients who have at least $250,000 in one or more Managed Accounts.

8. Primary Clients constitute the main source of business for the Filer and a majority of Clients are accredited investors. The Filer's minimum aggregate account size, which it may waive in appropriate circumstances, is $500,000. The average account size of Clients is in excess of $ 1 million. The business of Secondary Clients and Permitted Clients is incidental to the business of Primary Clients. The business of a Secondary Client or a Permitted Client is generally accepted by the Filer as a courtesy to a Primary Client. Less than 10% of The Filer's assets under management are currently managed for Secondary Clients or Permitted Clients.

9. Investments in individual securities may not be appropriate for Primary Clients in certain circumstances or for Secondary Clients or Permitted Clients. In the case of Secondary Clients or Permitted Clients the amount they have available for investment may not be sufficient for appropriate asset diversification and, due to the size of an investment, they may incur disproportionately higher brokerage commissions than Primary Clients.

10. The Filer has created the Existing Funds to provide Clients with access to certain types of investments, portfolio management efficiencies or appropriate diversification through a pooled investment vehicle.

11. The Filer has determined that to fulfill its fiduciary duty to its Client, all or a portion of the assets of some Clients should be invested in a Fund.

12. The Existing Funds are currently sold by the Filer only to Managed Accounts of Primary Clients or Secondary Clients or to Managed Accounts of other investors if they invest at least $150,000.

13. The Filer wishes to be able to offer the Existing Funds and each Future Fund to Managed Accounts that it manages on behalf of Permitted Clients, as well as to Managed Accounts of Primary Clients and Secondary Clients, without being required to invest $150,000 in each Fund on behalf of a Permitted Client.

14. The distribution of units of the Funds to Managed Accounts of Primary Clients can be conducted by the Filer without compliance with the Prospectus Requirement pursuant to subsection 2.3(1) of NI 45-106 and pursuant to its registration as an exempt market dealer or without compliance with the dealer registration requirement of the Act (the "**Registration Requirement**") pursuant to subsection 8.6(1) of National Instrument 31-103 – *Registration Requirements and Exemptions* ("**NI 31-103**"). The distribution of units of the Funds to Managed Accounts of Secondary Clients can be conducted by the Filer without compliance with the Prospectus Requirement pursuant to the Prior Ruling and without compliance with the Registration Requirement pursuant to the Prior Ruling or pursuant to subsection 8.6(1) of NI 31-103. The distribution of units of the Funds to Managed Accounts of Permitted Clients can be conducted without compliance with the Registration Requirement pursuant to subsection 8.6(1) of NI 31-103.

15. Upon obtaining the Exemption Sought, the Filer will not rely on the Prior Ruling.

16. The Filer may, but does not currently intend to, distribute units of the Funds to investors who do not have a Managed Account with the Filer in reliance on available exemptions from the Prospectus Requirement in NI 45-106 or in other provisions of applicable securities laws and in reliance on its exempt market dealer registration or available exemptions from the Registration Requirement.

17. At the initial meeting between a new Client and one or more portfolio managers who will service the Client, The Filer establishes the Client's general investment goals and objectives, including target asset mix and the risk parameters for the Managed Account. This is documented in the IMA. The Filer complies with the "know your client" obligations set out in NI 31-103. After the initial meeting, the Client is advised of the name of one or more portfolio managers (each of whom meets the proficiency requirements under NI 31-103 to be an advising officer or an advising representative or an associate advising officer or associate advising representative) who will meet at least once per year with the Client (or more frequently if required) to review the performance of the Managed Accounts and the investment goals.

18. Under the IMA the Filer acquires full discretionary authority to manage the assets in a Client's Managed Account, in accordance with the investment guidelines established for the account, without obtaining the consent of the Client to any specific trade. The IMA provides that, if authorized under the IMA, the Filer may invest the assets in a Client's Managed Account in one or more of the Funds. The Filer currently does not invest assets of Permitted Clients in units of the Funds unless the investment in a Fund is at least $150,000.

19. The IMA provides that the Client will pay to the Filer a base management fee and a performance incentive bonus (the "**Compensation**") and the Client acknowledges that there may be a management fee payable by a Fund and that such fee will be in addition to the Compensation. Further, the Client acknowledges that the assets invested in a Fund will be included in calculating the Compensation.

20. While the Compensation is in addition to the management fee payable by a Fund, the Filer negotiates the Compensation and acquires units of a Fund on a basis such that there is no duplication of fees paid.

21. There will be no commission paid by a Client in respect of the purchase of units of a Fund.

22. If a Client's Managed Account may be invested in units of a Fund, the Client receives an offering memorandum relating to the Fund which describes the investment objectives and strategies of the Fund and other material information relating to the Fund including a description of the fees and expenses that are payable by the Fund.

23. A Client receives from the custodian of the Managed Account a monthly or quarterly account statement (depending on the level of account activities) showing current holdings in his/her Managed Account. Upon request, Clients can have online viewing access of their Managed Account. All Clients who hold units of the Funds in their Managed Accounts receive a quarterly letter which details their rates of return. The portfolio manager is available to review and discuss with Clients all account statements.

24. Although the distribution of units of the Funds to Managed Accounts of Clients, including Secondary Clients and Permitted Clients, not resident in Ontario is not subject to the Prospectus Requirement due to the exemption for such distributions in NI 45-106, the distribution of units of the Funds to Managed Accounts of Secondary Clients and Permitted Clients resident in Ontario is subject to such requirement. This is because a Managed Account is not an accredited investor in Ontario for the purposes of the purchase of securities of an investment fund but it is an accredited investor in the Other Jurisdictions for such purposes.

Ruling

The Commission being satisfied that the relevant tests contained in subsections 74(1) and 144(1) of the Act have been met, the Commission rules pursuant to subsection 74(1) and 144(1) of the Act that the Requested Relief is granted, provided that, in connection with the distribution of units of the Funds to Secondary Clients and Permitted Clients in Ontario:

(a) units of the Funds distributed pursuant to the relief from the Prospectus Requirement contained in this ruling shall only be distributed to Managed Accounts of The Filer;

(b) for each Secondary Client who becomes a Client of the Filer after the date hereof and any Permitted Client that will invest in units of one or more Funds through a Managed Account pursuant to this ruling, the Filer shall deliver to such Secondary Client or Permitted Client prior to effecting a trade in units of a Fund in reliance on this ruling, written disclosure advising of:

(i) the nature of the relief granted under this ruling, and

(ii) the fact that the ruling permits the Client to invest in an investment fund product which the Client otherwise would not be allowed to invest in on an exempt basis through the Client's Managed Account; and

(c) this ruling will terminate upon the coming into force of any legislation or rule of the Commission exempting a trade by a fully managed account in Ontario in securities of investment funds from the Prospectus Requirement.

"Carol S. Perry"
Commissioner
Ontario Securities Commission

"Paulette L. Kennedy"
Commissioner
Ontario Securities Commission

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
Mahalo Energy Ltd.	29 June 10	12 July 10	12 July 10	
Impax Energy Services Income Trust	29 June 10	12 July 10	12 July 10	
Newlook Industries Corp.	02 July 10	14 July 10	14 July 10	
PPOA Holding, Inc. (formerly Protective Products of America, Inc.	08 July 10	20 July 10		
Freeport Capital Inc.	08 July 10	20 July 10		
MLB Industries Inc.	06 Mar 08	18 Mar 08	18 Mar 08	14 July 10

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
Freeport Capital Inc.	05 May 10	17 May 10	17 May 10	08 July 10	08 July 10

4.2.2 Outstanding Management & Insider 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
Coalcorp Mining Inc.	07 Oct 09	19 Oct 09	19 Oct 09		
Freeport Capital Inc.	05 May 10	17 May 10	17 May 10	08 July 10	08 July 10

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Chapter 6

Request for Comments

6.1.1 Notice and Request for Comment – Proposed NI 25-101 Designated Rating Organizations, Related Policies and Consequential Amendments

NOTICE AND REQUEST FOR COMMENT

PROPOSED NATIONAL INSTRUMENT 25-101
DESIGNATED RATING ORGANIZATIONS, RELATED
POLICIES AND CONSEQUENTIAL AMENDMENTS

1. Purpose of notice

We, the members of the Canadian Securities Administrators (the **CSA**) are publishing for comment a proposed rule, policies and related consequential amendments that would impose requirements on those credit rating organizations that wish to have their credit ratings eligible for use in places where credit ratings are referred to in securities legislation.

Specifically, we are publishing:

- National Instrument 25-101 *Designated Rating Organizations* (the **Proposed Instrument**),
- Companion Policy 25-101CP to National Instrument 25-101 *Designated Rating Organizations* (the **Proposed Companion Policy**),
- Consequential amendments to National Instrument 41-101 *General Prospectus Requirements*,
- Consequential amendments to National Instrument 44-101 *Short Form Prospectus Distributions*,
- Consequential amendments to National Instrument 51-102 *Continuous Disclosure Obligations*, and
- National Policy 11-205 *Process for Designation as a Designated Rating Organization in Multiple Jurisdictions* (the **Proposed NP 11-205**).

The Proposed Instrument, the Proposed Companion Policy, the proposed consequential amendments and Proposed NP 11-205 are collectively referred to as the **Proposed Materials**.[1]

We are publishing the Proposed Materials with this Notice. Certain jurisdictions may also include additional local information in Annex I. In particular, those jurisdictions that are a party to Multilateral Instrument 11-102 *Passport System* (currently all jurisdictions except Ontario) are publishing for comment amendments to that instrument that permit the use of the passport system in designating credit rating agencies or organizations (**CROs**). As Ontario is not a party to Multilateral Instrument 11-102, these amendments will not be published for comment in Ontario.

2. Substance and purpose of the Proposed Instrument

CROs are not currently subject to formal securities regulatory oversight in Canada. However, as the conduct of their business may have a significant impact upon financial markets, and because ratings continue to be referred to within securities legislation, we think it is appropriate to develop a securities regulatory regime for CROs that is consistent with international standards and developments.

The Proposed Materials, together with the suggested legislative amendments (see below), are intended to implement an appropriate Canadian regulatory regime for CROs.

[1] In jurisdictions other than Ontario, the Proposed Materials also include the proposed amendments to Multilateral Instrument 11-102 *The Passport System*.

3. Summary of the Proposed Instrument

Under the Proposed Instrument, a CRO can apply for designation as a designated rating organization by filing an application containing prescribed information. The term "designated rating organization" will ultimately replace the concept of "approved rating organization" that is currently found in securities legislation (see "Future Consequential Amendments" below).

The central requirement of the Proposed Instrument is that, once designated, a designated rating organization must establish, maintain and ensure compliance with a code of conduct that is on terms substantially the same as the IOSCO *Code of Conduct Fundamentals for Credit Rating Agencies* (the **IOSCO Code**). Originally published in December 2004, the IOSCO Code was designed to serve as a model upon which CROs could base their own codes of conduct. In light of problems within the credit markets, IOSCO's CRO Task Force further considered the role CROs played in rating structured finance transactions, and the IOSCO Code was modified in May 2008 to reflect its recommendations.[2] Currently, the IOSCO Code addresses issues such as:

- CRO conflicts of interest (Part 2)[3]
- misunderstandings by investors about what ratings mean (section 3.5)
- adequate staffing of CROs (sections 1.7 and 1.9)
- the quality of information used in making rating decisions (section 1.7)
- the ability to rate novel products (sections 1.7-1 and 1.7-3)
- the differentiation of ratings for different securities (section 3.5(b)), and
- the provision of public disclosure of historical information about the performance of ratings (section 3.8).

Consistent with the model of the IOSCO Code, a designated rating organization will only be permitted to deviate from the specific requirements of the IOSCO Code if it explains the deviation and indicates how its code nonetheless achieves the objectives of the IOSCO Code.

In addition to the "comply or explain" requirement, and similar to the approaches taken in other jurisdictions, the Proposed Instrument will also impose certain specific requirements on a designated rating organization. These provisions require a designated rating organization to:

- have policies and procedures reasonably designed to identify and manage any conflicts of interest that arise in connection with the issuance of credit ratings,
- not issue or maintain a credit rating in the face of specified conflicts of interest,
- appoint a compliance officer to be responsible for monitoring and assessing the designated rating organization's compliance with its code of conduct and the proposed regulatory framework,
- have policies and procedures reasonably designed to prevent the inappropriate use and/or dissemination of certain material non-public information, including a pending undisclosed rating action, and
- file on an annual basis a form containing prescribed information.

4. Proposed Legislative Amendments

To make the Proposed Instrument as a rule and to fully implement the regulatory regime it contemplates, certain amendments to local securities legislation will be required. In addition to rule-making authority, changes to the local securities legislation may include:

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2 The revised IOSCO Code may be found at http://www.iosco.org/library/pubdocs/pdf/IOSCOPD271.pdf.

3 Conflicts of interest are addressed generally in Part 2 of the IOSCO Code. In particular, the IOSCO Code addresses (a) conflicts of interest arising from rated issuers paying fees for their ratings (section 2), (b) the need for CROs to separate their rating business from consulting work (section 2.5), and (c) the ability of CROs to perform ancillary services (section 2.5). In addition, section 1.14 of the IOSCO Code specifies that CRO analysts should not make proposals or recommendations regarding the design of structured products.

- the power to designate a CRO under the legislation,
- the power to conduct compliance reviews of a CRO and require the CRO to provide the securities regulatory authority with access to relevant books, information and documents,
- the power to make an order that a CRO submit to a review of its practices and procedures, where such an order is considered to be in the public interest, and
- confirmation that the securities regulatory authorities may not direct or regulate the content of credit ratings or the methodologies used to determine credit ratings.

In Québec, Alberta and British Columbia amendments have already been introduced and are expected to come into force at the same time as the Proposed Instrument.

5. Prior comment process

On October 6, 2008, the CSA published for comment a consultation paper entitled *Securities Regulatory Proposals Stemming from the 2007-08 Credit Market Turmoil and its Effect on the ABCP Market in Canada* (the **Consultation Paper**).

In the Consultation Paper, the CSA ABCP Working Group (the **Committee**) proposed to establish a regulatory framework applicable to certain CROs that would have required adherence to the "comply or explain" provision of the IOSCO Code. The Committee also proposed to provide securities regulators with authority to require changes to such CROs' practices and procedures.

Since the expiry of the comment period in February 2009, the Committee has been modifying its proposal to take into account comments received on the Consultation Paper and comparable regulatory frameworks developed in other jurisdictions.

A summary of the relevant comments received, together with the CSA response to those comments, may be found in Annex A.

6. Proposed Companion Policy and Consequential amendments

The purpose of the Proposed Companion Policy is to provide interpretational guidance on elements of the Proposed Instrument. A copy of the Proposed Companion Policy may be found in Annex D.

The adoption of a Canadian regulatory regime for CROs also entails amendments to each of National Instrument 41-101 *General Prospectus Requirements*, National Instrument 44-101 *Short Form Prospectus Distributions*, and National Instrument 51-102 *Continuous Disclosure Obligations*. Under the Proposed Instrument, designated rating organizations will be obligated to provide certain information regarding their credit rating activities. The purpose of the consequential amendments is to require issuers to provide complementary information regarding their dealings with the ratings industry. The text of these amendments may be found in Annexes E through G.

7. Passport and Co-ordination of Review

Those jurisdictions that are a party to Multilateral Instrument 11-102 *Passport System* (all those jurisdictions except Ontario, referred to as **Passport Jurisdictions**) are publishing for comment proposed amendments to that instrument to allow it to be used for the review of designation applications by CROs. In addition, all jurisdictions are publishing for comment Proposed NP 11-205, which provides CROs with guidance in determining where they should apply for designation. The text of Proposed NP 11-205 may be found in Annex H. In the Passport Jurisdictions, the text of the proposed amendments to Multilateral Instrument 11-102 may be found in Annex I.

8. Future Consequential Amendments

Following the adoption of the Proposed Instrument and the application for designation by interested CROs, we propose to make further consequential amendments to our rules to reflect the new regime. Specifically, these amendments will replace existing references to "approved rating organization" and "approved credit rating organization" with "designated rating organization". Similar changes will also be made to the definition of "approved rating" which appears in securities legislation.

These changes would be subject to a separate publication and comment process.

9. Civil Liability and Other International Developments

Certain international jurisdictions have either adopted or are considering adopting changes to their securities legislation to impose greater civil liability upon CROs.[4] In Canada, similar changes would involve revoking those provisions of the securities legislation that provide a "carve-out" from the consent requirements for expertized portions of a prospectus or secondary market disclosure document.

We continue to monitor these and other international developments.

10. Request for Comments

We welcome your general comments on the Proposed Materials.

We also invite comments on specific aspects of the Proposed Instrument. The request for specific comments is located in Annex B to this Notice.

Please submit your comments in writing on or before October 25, 2010. If you are not sending your comments by email, please include a CD ROM containing the submissions.

Address your submission to the following CSA member commissions:

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Nova Scotia Securities Commission
New Brunswick Securities Commission
Office of the Attorney General, Prince Edward Island
Securities Commission of Newfoundland and Labrador
Registrar of Securities, Government of Yukon
Registrar of Securities, Department of Justice, Government of the Northwest Territories
Registrar of Securities, Legal Registries Division, Department of Justice, Government of Nunavut

Please deliver your comments only to the addresses that follow. Your comments will be forwarded to the remaining CSA member jurisdictions.

John Stevenson
Secretary
Ontario Securities Commission
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Fax: (416) 593-2318
Email: jstevenson@osc.gov.on.ca

M[e] Anne-Marie Beaudoin
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Autorité des marchés financiers
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Montréal (Québec) H4Z 1G3
Fax : 514-864-6381
E-mail: consultation-en-cours@lautorite.qc.ca

[4] In the United States, the SEC published for comment *A concept release on possible rescission of rule 436(g) under the Securities Act of 1933*: 17 CFR Part 220 (Release Nos. 33-9071; 34-60798; IC-28943; File No. S7-25-09). The comment period closed December 14, 2009. In Australia, ASIC has decided to withdraw current class order relief that allows issuers of investment products to cite credit ratings without the consent of credit rating agencies. As liability for the content of disclosure only attaches to persons who have consented to having their statements cited, the class order relief has implications for the accountability of credit rating agencies. See 09-225AD *ASIC gives credit ratings agencies improved control over ratings use* dated Thursday 12 November 2009

We cannot keep submissions confidential because securities legislation in certain provinces requires publication of a summary of the written comments received during the comment period. Comments will be posted to the OSC web-site at www.osc.gov.on.ca.

11. Questions

Please refer your questions to any of:

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July 16, 2010

ANNEX A

SUMMARY OF RELEVANT COMMENTS AND RESPONSES ON CSA CONSULTATION PAPER 11-405 SECURITIES REGULATORY PROPOSALS STEMMING FROM THE 2007-08 CREDIT MARKET TURMOIL AND ITS EFFECT ON THE ABCP MARKET IN CANADA

This annex summarizes the relevant written public comments we received on the Consultation Paper. It also sets out our responses to those comments.

List of Parties Commenting on the Consultation Paper

Brian Neysmith
Canada's Venture Capital & Private Equity Association (Gregory Smith)
Canadian Advocacy Council (Ross E. Hallett)
Canadian Bankers Association (Nathalie Clark)
Canadian Life and Health Insurance Association (James Wood)
Canadian Imperial Bank of Commerce (Claude-Étienne Borduas)
Desjardins, Fédération des caisses du Québec (Yves Morency)
Dominion Bond Rating Service (Mary Keogh)
Fasken Martineau DuMoulin LLP (Geoff Clarke, Brandon Tigchelaar and Patrick Dolan)
Fitch Ratings (Sharon Raj)
The Investment Funds Institute of Canada (Joanne De Laurentiis)
Investment Industry Association of Canada (Ian C. W. Russell)
Mavrix Funds Management Inc.
Moody's Investors Service (Donald S. Carter and Janet Holmes)
Mouvement d'éducation et de défense des actionnaires (Yves Michaud)
Ontario Bar Association (Jamie K. Trimble and Christopher Garrah)
RBC Asset Management Inc. and Phillips, Hager & North Investment Management Ltd. (Daniel E. Chornous)
Social Investment Organization (Eugene Ellmen)
Standard & Poor's (Vickie A. Tillman)
TD Asset Management Inc. (Barbara F. Palk)
TD Securities Inc. (Anne Haldimand and Jay Smales)

General Comments

Eleven commenters supported establishing a regulatory framework applicable to CROs that requires compliance with the "comply or explain" provision of the IOSCO Code. Two other commenters supported establishing a regulatory framework for CROs in general but did not specifically comment on the form the framework should take.

Response: We thank the commenters for their support. We have maintained the requirement to adhere to the "comply or explain" provision of the IOSCO Code as the central component of the proposed regulatory regime.

Some commenters cautioned against increased regulation of CROs. For example, one commenter opined that the market has corrected on its own and will require CROs to address deficiencies even without increased regulation. Another commenter noted that given the importance of CROs in Canadian credit markets, any regulatory framework applicable to CROs should ensure that it does not act as a deterrent to their continued operation in Canada or increase compliance costs to the point where only the largest issuers could afford to have their securities rated. A third commenter expressed concern that increased regulation of CROs could undermine investors' own responsibilities to undertake due diligence in respect of potential investments.

Response: We note the various measures adopted by the CROs to improve their business models, particularly efforts aimed at strengthening rating methodologies and managing conflicts of interest. Nevertheless, we think it is advisable to establish a regulatory framework applicable to CROs in Canada. Recognizing that most CROs are subject to regulation in several jurisdictions, we strived to limit unnecessary compliance costs as much as possible. We do not think that increased regulation of CROs will cause investors to perform less due diligence in respect of potential investments.

Several commenters did not object to regulation of CROs in Canada but expressed concerns with the proposed regulatory framework. One commenter thought that it was unclear whether CROs that meet the definition of "approved credit rating organization" are automatically subject to the regulatory framework. The commenter suggested that only CROs who wish to have their ratings used for regulatory purposes should be subject to the regulatory framework.

Response: The proposed regulatory framework would apply to any CRO that is a "designated rating organization". This concept will replace the existing concept of "approved rating organizations" and "approved credit rating organizations". Designation as a designated rating organization will not be mandatory for any CRO, as a CRO will have to apply for status as a designated rating organization in order to for its ratings to be eligible for use in places where credit ratings are referred to in securities legislation. If a CRO does not wish to have its ratings eligible to be so used, the CRO need not seek to be designated in any Canadian jurisdiction.

One of the commenters that supported a regulatory framework tied to the IOSCO Code noted that it should be principles based so that it is dynamic, adaptable, accounts for the differences among CROs, and avoids intruding upon the substance of ratings and rating methodologies. In fact, five commenters proposed a prohibition in the regulatory framework against the CSA regulating the substance of credit ratings or the procedures and methodologies by which a CRO determines credit ratings. This would be consistent with the manner in which the SEC oversees CROs in the United States.

Response: We acknowledge the comment in favour of a dynamic and flexible regulatory framework. To that end, the principal component of our proposal is that a designated rating organization must establish, maintain and ensure compliance with a code of conduct that is on terms substantially the same as the IOSCO Code. Consistent with this model, a designated rating organization would be permitted to deviate from the specific requirements of the IOSCO Code provided that it explains the deviation and indicates how its code nonetheless achieves the objectives of the IOSCO Code. We are of the view that allowing a designated rating organization's code of conduct to deviate in this manner imports sufficient flexibility into our proposed regulatory regime to accommodate the differences among CROs, while nonetheless ensuring that the CRO consider and abide by the underlying animating principles.

In addition, securities regulatory authorities will, in most cases, be prohibited from directing or regulating the content of credit ratings or the methodologies. This prohibition will be similar to the prohibition in the United States and Europe.

Another commenter suggested going beyond the IOSCO Code and requiring CROs to disclose the methodology used in determining ratings of ABCP.

Response: the IOSCO Code states that a CRO should indicate the principal methodology or methodology version that was used in determining the rating and where a description of that methodology can be found (see section 3.3 of the IOSCO Code). In light of current compliance with this provision[5], we do not believe that such a requirement is necessary.

Need for Harmonization

Seven commenters, including four CROs, suggested that any regulatory framework applicable to CROs should be harmonized and co-ordinated among jurisdictions. The commenters noted that different regulatory initiatives in Canada, the United States, Europe, Australia and elsewhere will make compliance difficult for CROs that operate globally. Specifically, one commenter submitted that CROs applying for recognition in Canada should be able to submit to the CSA the documentation prepared in connection with other jurisdictions' requirements in satisfaction of all or some of the Canadian requirements.

Response: Our proposed regulatory regime takes these concerns into account through incorporation of the IOSCO Code as the central component of the framework. In addition, accommodation is made for CROs that are also "nationally recognized statistical rating organizations" (or NRSROs), who will be able to file their most recently completed Form NRSRO in lieu of Form 25-101F1.

We acknowledge the developing international movement towards co-ordination of regulatory efforts with respect to CROs. Certain CSA jurisdictions participate in IOSCO Standing Committee 6 regarding credit rating agencies. The mandate of this committee includes examining options for international co-operation for regulating CROs. Though we support international co-operation in this regard to the greatest extent practicable, we maintain the jurisdiction to perform compliance reviews of designated rating organizations at our discretion.

[5] In March 2009, IOSCO published a "Review of Implementation of the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies" which noted that each of the CROs that are "approved credit ratings organizations" under the current regime is substantially in compliance with Section 3.3 of the IOSCO Code.

Enforcement Issues and the Authority of Securities Regulators

Several commenters were generally supportive of the CSA having powers to conduct examinations and to enforce compliance with the CRO framework. Two commenters supported giving authority to the CSA to make orders in the public interest that impose terms and conditions on the conduct of the business of an "approved credit rating organization". Another commenter supported the need for the CSA to conduct reviews of a CRO's practices and procedures including reviewing the extent of compliance with the IOSCO Code and the CRO's own policies and procedures. Two commenters emphasized the importance of the CSA having the ability to exercise enforcement powers in respect of a breach by a CRO of securities laws.

Response: We think that the statutory amendments that have been passed or are being considered in the various CSA jurisdictions will provide the appropriate compliance and enforcement authority.

One commenter supported the authority of the regulator to make orders in the public interest as part of the regulatory framework provided that any such orders do not affect the substance of the ratings or methodologies of the CRO. The commenter supported the CSA having the authority to revoke a CRO's status as an "approved credit rating organization" but only upon material deviations from the IOSCO Code.

Response: As noted above, securities regulatory authorities will, in most cases, be prohibited from directing or regulating the content of credit ratings or the methodologies. However, each of the securities regulators will have the ability to withdraw a CRO's designation provided it is in the public interest to do so.

Two commenters suggested that the CROs should be notified and granted the opportunity to answer concerns and/or take remedial action before any remedy is imposed by the CSA on a CRO.

Response: We anticipate that the relevant CRO would be provided with an opportunity to be heard prior to any enforcement order being issued.

One commenter acknowledged the need for the CSA to obtain information from CROs as part of effective regulation but cautioned that the ability of the CSA to request information should be subject to confidentiality and privilege.

Response: The legislative amendments that are contemplated as part of the securities regulatory framework for CROs would provide securities regulators with authority to obtain necessary information. The ability to keep information confidential is subject to any obligations under privacy and freedom of information laws.

Four commenters, each a CRO, raised concerns with the component of the regulatory framework applicable to CROs that would give the CSA the authority to make orders in the public interest that impose terms and conditions on the conduct of business of an "approved credit rating organization". In addition, three of these commenters raised concerns with the component of the regulatory framework applicable to CROs that would give the CSA the authority to order an approved CRO to "make any changes to its practices and procedures relating to its business as a CRO that are ordered by securities regulators."

Response: We note these comments. The proposed regulatory framework would provide the securities regulatory authority in CSA jurisdictions with the authority to order that a CRO submit to a review of its practices and procedures and institute such changes as may be ordered. This is an existing power that certain jurisdictions have over other market participants. We do not think that this authority is too broad and note that securities regulatory authorities will, in most cases, be prohibited from directing or regulating the content of credit ratings or the methodologies.

To facilitate the designation of CROs in multiple jurisdictions, we (other than Ontario) are developing a proposal to extend the application of the passport system into this new area. Proposed amendments to Multilateral Instrument 11-102 Passport System are being published concurrently with this Notice – see Annex H and I.

One commenter raised concerns with the component of the framework that would give the CSA the authority to require that an approved CRO comply with any particular provision in the IOSCO Code. The commenter suggested that it introduces rigidity and undermines the flexibility that the IOSCO Code meant to preserve through the "comply or explain" model. Instead, the CSA should not regulate beyond requiring full compliance with the "comply or explain" provision of the IOSCO Code.

Response: In our view, one of the significant benefits of importing the "comply or explain" model of the IOSCO Code into our proposed regulatory framework is its flexibility. However, the regulatory framework might not be effective if a designated rating organization chose to explain (rather than comply with) many of the provisions of the IOSCO Code. The proposed regulatory framework would empower securities regulators to require a designated rating organization to comply with any particular provision of the IOSCO Code through their

authority to have a designated rating organization submit to a review of its practices and procedures and to institute such changes as may be ordered by securities regulatory authorities.

One commenter suggested that the proposed framework should explicitly state that breaches of the framework will not give rise to private causes of action.

Response: We do not agree with this comment.

Disclosure Requirements for CRO

Three commenters supported requiring public disclosure of all information provided to a CRO and used by the CRO in determining and monitoring a rating as a condition to issuing a rating. One other commenter supported requiring public disclosure of all information provided to a CRO and used by the CRO in determining and monitoring a rating but thought that the obligation to make such disclosure should be on the issuer. That commenter suggested that CROs should not be permitted to rate a security unless public disclosure has been made.

Response: Notwithstanding these comments, the proposed framework does not include the requirement to disclose publicly all information provided to a CRO and used by the CRO in determining and monitoring a rating as a condition to issuing a rating. In addition to the comments cited above, we note that the SEC also decided against pursuing a similar requirement that it had proposed.

As described in CSA Notice 45-307 Regulatory Developments Regarding Securitization, the CSA is reviewing disclosure requirements in connection with the distribution of securitized products and is considering imposing additional conditions, including disclosure, in connection with the distribution of securitized products in the exempt market. However, those matters are not being considered as a part of the regulatory framework applicable to CROs.

One commenter suggested that the CSA publish an annual report on the role of CROs, their code of ethics and professional conduct, the transparency of their methods and the impact of their activities on issuers and the financial markets. This is similar to an applicable requirement in France.

Response: We do not propose to publish an annual report of this nature. We propose to require a designated rating organization to publish its code of conduct conspicuously on its website. The designated rating organization would also be required to explain any deviations from the IOSCO Code and how its code of conduct achieves the principles of the IOSCO Code notwithstanding the deviation. We think that the responsibility for publicly disseminating this information should remain with the designated rating organization. Having this information publicly available will allow market participants to evaluate the designated rating organization against the standards of the IOSCO Code.

One commenter noted that it appeared that the CROs do not provide information in French and suggested that such a requirement be imposed.

Response: In Québec, section 40.1 of the Securities Act requires that a number of documents used in connection with specific transactions be drafted in French. Any credit rating and commentary relating thereto included in these documents must be in French. We do not propose to otherwise regulate the language in which market participants choose to carry on their business.

Other comments on the CRO framework

One commenter suggested that an independent body be established in order to set a fee schedule for ratings after consulting with the CROs. The commenter also suggested that issuers disclose in their annual report the amount of fees paid to each CRO. Finally, the commenter suggested that fees should be based on services rendered instead of the size of the offering.

Response: We do not propose to regulate the manner in which fees for providing ratings is determined. However, Form 25-101F1 will require designated rating organizations to disclose the largest 20 issuers and subscribers in terms of net revenue. In addition, an issuer's prospectus and annual information form will be required to contain disclosure regarding the amount of fees paid to a CRO for a rating.

ANNEX B

SPECIFIC REQUESTS FOR COMMENT

In addition to your general comments on the Proposed Materials, we also invite comments on the following specific issues:

1. Section 7 of the Proposed Instrument provides that a Code of Conduct must specify that waivers of the Code are prohibited. The purpose of this provision is to ensure that the Code of Conduct reflects actual conduct within the designated rating organization. Do you think this provision is feasible? Does it achieve its purpose?

2. Item 3 of Form 25-101F1 requires a CRO (other than an NRSRO) applying to be designated under the Proposed Instrument to provide a completed personal information form (or **PIF**) for each director and executive officer of the applicant, as well as the compliance officer, unless previously provided. Do you believe the costs of requiring a PIF outweigh the benefits of these background checks? Should background checks be periodically requested for all existing designated rating organizations? If so, how often?

3. The test for determining the principal regulator for a CRO's designation application is set out in amendments to Multilateral Instrument 11-102 *Passport System*. Where a CRO does not have a head office or branch office located in Canada, the principal regulator is determined on the basis of "significant connection". Factors for determining "significant connection" are listed in section 8 of Proposed NP 11-205.

   Are the factors in section 8 suitable and listed in the appropriate order of influential weight?

4. Currently, securities legislation does not require a CRO whose rating is referred to in a prospectus or other disclosure document to file an “expert’s consent” with securities regulators, which would result in the assumption of statutory liability for its opinion. See, for example, section 10.1 of National Instrument 41-101 *General Prospectus Requirements.* Do you think that such an exemption is still appropriate in Canada?

ANNEX C

PROPOSED NATIONAL INSTRUMENT 25-101
DESIGNATED RATING ORGANIZATIONS

Part 1 — Definitions and Interpretation

1. Definitions — In this Instrument,

compliance officer means the compliance officer referred to in section 11;

code of conduct means the code of conduct referred to in Part 3 of this Instrument;

designated rating organization means a credit rating organization that has been designated under securities legislation;

Form NRSRO means the completed form required to be filed by an NRSRO under the 1934 Act;

IOSCO Code means the *Code of Conduct Fundamentals for Credit Rating Agencies of the International Organization of Securities Commissions*, as amended from time to time;

NRSRO means a nationally recognized statistical rating organization, as defined in the 1934 Act.

2. Interpretation — Nothing in this Instrument is to be interpreted as regulating the content of a credit rating or the methodology a credit rating organization uses to determine a credit rating.

Part 2 — Designation of Rating Organizations

3. Application for Designation —

(1) A credit rating organization that applies to be a designated rating organization must file a completed Form 25-101F1.

(2) Despite subsection (1), a credit rating organization that is an NRSRO may file its most recent Form NRSRO.

(3) A credit rating organization that applies to be a designated rating organization and that is incorporated or organized under a foreign jurisdiction and does not have an office in Canada must file a completed Form 25-101F2.

4. Market Participant in Ontario — In Ontario, a designated rating organization is designated as a market participant.

Part 3 — Code of Conduct

5. Code of Conduct —

(1) A designated rating organization must establish, maintain and ensure compliance with a code of conduct.

(2) The code of conduct must comply with each provision of the IOSCO Code.

(3) Despite subsection (2), the code of conduct may deviate from a provision or provisions of the IOSCO Code if the code of conduct indicates:

(a) how it deviates from the provision or provisions of the IOSCO Code; and

(b) how it nonetheless achieves the objectives of that provision or provisions of the IOSCO Code.

6. Filing and Publication —

(1) A designated rating organization must file a copy of its code of conduct and post a copy of it, together with any amendments, prominently on its website.

(2) Any amendment to a code of conduct by a designated rating organization must be filed, and prominently posted on the organization's website, within three days of the amendment coming into effect.

7. **Waivers —** A code of conduct must specify that a designated rating organization must not waive provisions of its code of conduct.

Part 4 — Additional Minimum Requirements

8. **Conflicts of Interest —** A designated rating organization must not issue or maintain a credit rating:

(a) where the designated rating organization, a credit analyst that participated in determining the credit rating, or a person responsible for approving the credit rating, directly owns securities of, or has any other direct ownership interest in, the person or company that is subject to the credit rating;

(b) with respect to a person or company that is an affiliate or associate of the designated rating organization;

(c) where a credit analyst who participated in determining the credit rating, or a person responsible for approving the credit rating, is an officer or director of the person or company that is subject to the credit rating;

(d) with respect to a security where the designated rating organization or a person or company that is an affiliate or associate of the designated rating organization made recommendations to the issuer, underwriter, or sponsor of the securities about the corporate or legal structure, assets, liabilities, or activities of the issuer of the securities;

(e) where the fee paid for the rating was negotiated, discussed, or arranged by a person within the designated rating organization who has responsibility for participating in determining credit ratings or for developing or approving procedures or methodologies used for determining credit ratings, including qualitative and quantitative models; or

(f) where a credit analyst who participated in determining or monitoring the credit rating, or a person responsible for approving the credit rating received gifts, including entertainment, from the issuer, underwriter, or sponsor of the securities being rated, other than items provided in the context of normal business activities such as meetings that have an aggregate value of no more than nominal value.

9. **Conflict of Interest Policy —** A designated rating organization must have policies and procedures reasonably designed to identify and manage any conflicts of interest that arise in connection with the issuance of credit ratings.

10. **Policy on Material Non-Public Information —** A designated rating organization must have policies and procedures reasonably designed to prevent:

(a) the inappropriate dissemination within or outside the designated rating organization of material non-public information obtained in connection with the performance of credit rating services;

(b) the purchase or sale of securities by a person within the designated rating organization, or the conferring of any other benefit from any transaction in securities, when the person is aware of material non-public information obtained in connection with the performance of credit rating services; and

(c) the inappropriate dissemination within or outside the designated rating organization of a pending credit rating action before issuing the credit rating on the Internet or through another readily accessible means.

11. **Compliance Officer —**

(1) A designated rating organization must have a compliance officer that monitors and assesses compliance by the designated rating organization, and individuals acting on its behalf, with the organization's code of conduct and with securities legislation.

(2) The compliance officer must report to the board of directors of the designated rating organization (or the equivalent) as soon as possible if the compliance officer becomes aware of any circumstances indicating that the designated rating organization, or any individual acting on its behalf, may be in non-compliance with the organization's code of conduct or securities legislation and:

(a) the non-compliance creates, in the opinion of a reasonable person, a risk of harm to a client or the client's investors,

(b) the non-compliance creates, in the opinion of a reasonable person, a risk of harm to the capital markets; or

(c) the non-compliance is part of a pattern of non-compliance.

Part 5 — Books and Records

12. Books and Records —

(1) A designated rating organization must keep such books and records and other documents as are necessary to account for the conduct of its credit rating activities, its business transactions and financial affairs and must keep such other books, records and documents as may otherwise be required under securities legislation.

(2) A designated rating organization must retain the books and records maintained under this section:

(a) for a period of seven years from the date the record was made or received;

(b) in a safe location and a durable form; and

(c) in a manner that permits it to be provided to the securities regulatory authority in a reasonable period of time.

Part 6 — Annual Filing Requirements

13. Annual Filing Requirement —

(1) No later than 90 days after the end of its most recently completed financial year, each designated rating organization must file a completed Form 25-101F1.

(2) Despite subsection (1), a designated rating organization may file its most recently completed Form NRSRO on or before the earlier of

(a) 90 days after the end of its most recently completed financial year, and

(b) the date the credit rating organization files its Form NRSRO with the SEC.

Part 7 — Exemptions and Effective Date

14. Exemptions —

(1) The regulator or the securities regulatory authority may grant an exemption from the provisions of this Instrument, in whole or in part, subject to such conditions or restrictions as may be imposed in the exemption.

(2) Despite subsection (1), in Ontario, only the regulator may grant an exemption.

(3) Except in Ontario, an exemption referred to in subsection (1) is granted under the statute referred to in Appendix B of National Instrument 14-101 *Definitions* opposite the name of the local jurisdiction.

15. Effective Date — This Instrument comes into force on ●.

FORM 25-101F1

DESIGNATED RATING ORGANIZATION
APPLICATION AND ANNUAL FILING

Instructions

(1) Terms used in this form but not defined in this form have the meaning given to them in the Instrument.

(2) Unless otherwise specified, the information in this form must be presented as at the last day of the applicant's most recently completed financial year. If necessary, the applicant must update the information provided so it is not misleading when it is filed. For information presented as at any date other than the last day of the applicant's most recently completed financial year, specify the relevant date in the form.

(3) Applicants are reminded that it is an offence under securities legislation to give false or misleading information on this form.

(4) Applicants may apply for a decision of the securities regulatory authority to hold portions of this form which discloses intimate financial, personal or other information in confidence. Securities regulatory authorities will consider such an application and accord confidential treatment to those sections to the extent permitted by law.

(5) Where this form is used for an annual filing, the term "applicant" means the designated rating organization.

Item 1. Name of Applicant

State the name of the applicant.

Item 2. Organization and Structure of Applicant

Describe the organizational structure of the applicant, including, as applicable, an organizational chart that identifies the ultimate and intermediate parent companies, subsidiaries, and material affiliates of the applicant (if any); an organizational chart showing the divisions, departments, and business units of the applicant; and an organizational chart showing the managerial structure of the applicant, including the compliance officer referred to in section 11 of the Instrument.

Item 3. Personal Information Form

Provide the information required by Appendix A to this form for each director and executive officer of the applicant, as well as the compliance officer, unless previously provided.

Item 4. Rating Distribution Model

Briefly describe how the applicant makes its credit ratings readily accessible for free or for a fee. If a person must pay a fee to obtain a credit rating made readily accessible by the applicant, provide a fee schedule or describe the price(s) charged.

Item 5. Procedures and Methodologies

Briefly describe the procedures and methodologies used by the applicant to determine credit ratings, including unsolicited credit ratings. The description must be sufficiently detailed to provide an understanding of the processes employed by the applicant in determining credit ratings, including, as applicable:

- policies for determining whether to initiate a credit rating;
- the public and non-public sources of information used in determining credit ratings, including information and analysis provided by third-party vendors;
- whether and, if so, how information about verification performed on assets underlying or referenced by a security issued by an asset pool or as part of any asset-backed or mortgage-backed securities transaction is relied on in determining credit ratings;
- the quantitative and qualitative models and metrics used to determine credit ratings, including whether and, if so, how assessments of the quality of originators of assets underlying or referenced by a security issued by an asset pool or as part of any asset-backed or mortgage-backed securities transaction factor into the determination of credit ratings;

- the methodologies by which credit ratings of other credit rating agencies are treated to determine credit ratings for securities issued by an asset pool or as part of any asset-backed or mortgaged-backed securities transaction;

- the procedures for interacting with the management of a rated obligor or issuer of rated securities;

- the structure and voting process of committees that review or approve credit ratings;

- procedures for informing rated obligors or issuers of rated securities about credit rating decisions and for appeals of final or pending credit rating decisions; and

- procedures for monitoring, reviewing, and updating credit ratings, including how frequently credit ratings are reviewed, whether different models or criteria are used for ratings surveillance than for determining initial ratings, whether changes made to models and criteria for determining initial ratings are applied retroactively to existing ratings, and whether changes made to models and criteria for performing ratings surveillance are incorporated into the models and criteria for determining initial ratings; and procedures to withdraw, or suspend the maintenance of, a credit rating.

An applicant may provide the location on its website where additional information about the procedures and methodologies is located.

Item 6. Code of Conduct

Unless previously provided, attach a copy of the applicant's code of conduct.

Item 7. Policies and Procedures re Non-public Information

Unless previously provided, attach a copy of the written policies and procedures established, maintained, and enforced by the applicant to prevent the misuse of material non-public information.

Item 8. Polices and Procedures re Conflicts of Interest

Unless previously provided, attach a copy of the written policies and procedures established with respect to conflicts of interest.

Item 9. Credit analysts

Disclose the following information about the applicant's credit analysts and the persons who supervise the credit analysts:

- The total number of credit analysts,

- The total number of credit analyst supervisors,

- A general description of the minimum qualifications required of the credit analysts, including education level and work experience (if applicable, distinguish between junior, mid, and senior level credit analysts), and

- A general description of the minimum qualifications required of the credit analyst supervisors, including education level and work experience.

Item 10. Compliance Officer

Disclose the following information about the compliance officer of the applicant:

- Name,

- Employment history,

- Post secondary education, and

- Whether employed by the applicant full-time or part-time.

Item 11. Specified Revenues

Disclose information, as applicable, regarding the applicant's aggregate revenues for the most recently completed financial year:

- Revenue from determining and maintaining credit ratings,
- Revenue from subscribers,
- Revenue from granting licenses or rights to publish credit ratings, and
- Revenue from all other services and products offered by the credit rating organization (include descriptions of any major sources of revenue).

This information is not required to be audited.

Item 12. Credit Rating Users

Disclose a list of the largest users of credit rating services of the applicant by the amount of net revenue earned by the applicant attributable to the user during the most recently completed financial year. First, determine and list the 20 largest issuers and subscribers in terms of net revenue. Next, add to the list any obligor or underwriter that, in terms of net revenue during the financial year, equalled or exceeded the 20th largest issuer or subscriber. In making the list, rank the users in terms of net revenue from largest to smallest and include the net revenue amount for each person. For purposes of this Item:

- **Net revenue** means revenue earned by the applicant for any type of service or product provided to the person or company, regardless of whether related to credit rating services, and net of any rebates and allowances the applicant paid or owes to the person or company; and
- **Credit rating services** means any of the following: rating an issuer's securities (regardless of whether the issuer, underwriter, or any other person or company paid for the credit rating) and providing credit ratings, credit ratings data, or credit ratings analysis to a subscriber.

Item 13. Financial Statements

Attach a copy of the audited financial statements of the applicant, which must include a balance sheet, an income statement and statement of cash flows, and a statement of changes in equity, for each of the three most recently completed financial years. If the applicant is a division, unit, or subsidiary of a parent company, the applicant may provide audited consolidated financial statements of its parent company.

Item 14. Verification Certificate

Include a certificate of the applicant in the following form:

The undersigned has executed this Form 25-101F1 on behalf of, and on the authority of, [the Applicant]. The undersigned, on behalf of the [Applicant], represents that the information and statements contained in this Form, including appendices and attachments, all of which are part of this Form, are true and correct.

_____ _____

(Date) (Name of the Applicant/NRSRO)

By: _____

(Print Name and Title)

_____

(Signature)

APPENDIX A TO FORM 25-101F1

AUTHORIZATION OF INDIRECT COLLECTION, USE AND DISCLOSURE OF PERSONAL INFORMATION

In connection with the filing required of a credit rating organization (or **CRO**) under National Instrument 25-101, the attached Schedule 1 contains information (the **Information**) concerning every individual for whom the CRO is required to provide the Information under Item 3 of Form 25-101F1. The CRO is required by provincial and territorial securities legislation to deliver the Information to those regulators listed in Schedule 3 with whom the CRO has filed an application for designation.

The CRO confirms that each individual who has completed a Schedule 1:

(a) has been notified by the CRO

(i) of the CRO's delivery to the regulator of the Information in Schedule 1 pertaining to that individual,

(ii) that the Information is being collected indirectly by the regulator under the authority granted to it by provincial and territorial securities legislation or provincial legislation relating to documents held by public bodies and the protection of personal information,

(iii) that the Information is being collected and used for the purpose of enabling the regulator to administer and enforce provincial and territorial securities legislation, including those obligations that require or permit the regulator to refuse to designate a CRO if it appears to the regulator that it would be contrary to the public interest to do so, or to revoke a designation of a CRO if it appears to be in the public interest to do so, and

(iv) of the contact, business address and business telephone number of the regulator in the local jurisdiction as set out in the attached Schedule 3, who can answer questions about the regulator's indirect collection of the Information;

(b) has read and understands the Personal Information Collection Policy attached hereto as Schedule 2; and

(c) has, by signing the certificate and consent in Schedule 1, authorized the indirect collection, use and disclosure of the Information by the regulator as described in Schedule 2.

Date: _____

_____
Name of CRO

Per:_____

_____
Name

_____
Official Capacity

(Please print the name of the person signing on behalf of the CRO)

PERSONAL INFORMATION FORM
AND AUTHORIZATION OF INDIRECT COLLECTION,
USE AND DISCLOSURE OF PERSONAL INFORMATION

Schedule 1

Personal Information Form and Authorization of Indirect Collection,

Use and Disclosure of Personal Information

This Personal Information Form and Authorization of Indirect Collection, Use and Disclosure of Personal Information (the **PIF**) is to be completed by every individual who is required to do so under Item 3 of Form 25-101F1 .

The securities regulatory authorities do not make any of the information provided in this PIF public.

General Instructions:

All Questions	**All questions must have a response.** The response of "N/A" or "Not Applicable" for any questions, except Question 1B will not be accepted.
Questions 3 to 6	Please check (√) in the appropriate space provided. If your answer to any of questions 3 to 6 is "YES", you must, in an attachment, provide complete details, including the circumstances, relevant dates, names of the parties involved and final disposition, if known. **Any attachment must be initialled by the person completing this PIF.** Responses must consider all time periods.

CAUTION

An individual who makes a false statement commits an offence under securities legislation. Steps may be taken to verify the answers you have given in this PIF, including verification of information relating to any previous criminal record.

DEFINITIONS

"Offence" An offence includes:

(a) a summary conviction or indictable offence under the *Criminal Code* (Canada);

(b) a quasi-criminal offence (for example under the *Income Tax Act* (Canada), the *Immigration and Refugee Protection Act* (Canada) or the tax, immigration, drugs, firearms, money laundering or securities legislation of any jurisdiction);

(c) a misdemeanour or felony under the criminal legislation of the United States of America, or any state or territory therein; or

(d) an offence under the criminal legislation of any foreign jurisdiction;

NOTE: If you have received a pardon under the *Criminal Records Act* (Canada) and it has not been revoked, you must disclose the pardoned offence in this PIF. In such circumstances:

(a) the appropriate written response would be "Yes, pardon granted on (date)"; and

(b) you must provide complete details in an attachment to this Form.

"Proceedings" means:

(a) a civil or criminal proceeding or inquiry before a court;

(b) a proceeding before an arbitrator or umpire or a person or group of persons authorized by law to make an inquiry and take evidence under oath in the matter;

(c) a proceeding before a tribunal in the exercise of a statutory power of decision making where the tribunal is required by law to hold or afford the parties to the proceeding an opportunity for a hearing before making a decision; or

(d) a proceeding before a self-regulatory organization authorized by law to regulate the operations and the standards of practice and business conduct of its members and their representatives, in which the self-regulatory organization is required under its by-laws or rules to hold or afford the parties the opportunity for a hearing before making a decision, but does not apply to a proceeding in which one or more persons are required to make an investigation and to make a report, with or without recommendations, if the report is for the information or advice of the person to whom it is made and does not in any way bind or limit that person in any decision the person may have the power to make;

"securities regulatory authority" (or "SRA") means a body created by statute in any jurisdiction or in any foreign jurisdiction to administer securities law, regulation and policy (e.g. securities commission), but does not include an exchange or other self regulatory or professional organization;

"self regulatory or professional organization" means:

(a) a stock, commodities, futures or options exchange;

(b) an association of investment, securities, mutual fund, commodities, or future dealers;

(c) an association of investment counsel or portfolio managers;

(d) an association of other professionals (e.g. legal, accounting, engineering); and

(e) any other group, institution or self-regulatory entity, recognized by a securities regulatory authority, that is responsible for the enforcement of rules, disciplines or codes under any applicable legislation, or considered a self regulatory or professional organization in another country.

1. IDENTIFICATION OF INDIVIDUAL COMPLETING FORM

A.

LAST NAME	**FIRST NAME(S)**	**MIDDLE NAME(S) (If none, please state)**

NAME(S) MOST COMMONLY KNOWN BY:

NAME OF CRO

Present Position with CRO – check all that are applicable	**☑**	**Disclose the date appointed or elected**		
		Month	**Day**	**Year**
Director				
Officer				
Other				

B.

Other than the name given in Question 1A above, provide any legal names, assumed names or nicknames under which you have carried on business or have otherwise been known, including information regarding any name change(s) resulting from marriage, divorce, court order or any other process. Use an attachment if necessary.	FROM		TO	
	MM	YY	MM	YY

C.

Gender		Date of Birth			Place of Birth		
Male		Month	Day	Year	City	Province/State	Country
Female							

D.

MARITAL STATUS	FULL NAME OF SPOUSE– include common law	OCCUPATION OF SPOUSE

E.

TELEPHONE AND FACSIMILE NUMBERS AND E-MAIL ADDRESS			
RESIDENTIAL	( )	FACSIMILE	( )
BUSINESS	( )	E-MAIL	

F.

RESIDENTIAL ADDRESS - Provide current residential address. **STREET ADDRESS, CITY, PROVINCE/STATE, COUNTRY & POSTAL/ZIP CODE**

2. CITIZENSHIP

	YES	**NO**
(i) Are you a Canadian Citizen?		
(ii) Do you hold citizenship in any country other than Canada?		
(iii) If "Yes" to Question 2(ii), provide the name of the country(s):		

3. OFFENCES

If you answer "YES" to any item in this Question 3, you must provide complete details in an attachment.	**YES**	**NO**
A. Have you ever pleaded guilty to or been found guilty of an offence?		
B. Are you the subject of any current charge, indictment or proceeding for an offence?		
C. To the best of your knowledge, are you or have you **ever** been a director, officer, promoter, insider, or control person of an issuer, in any jurisdiction or in any foreign jurisdiction, at the time of events, where the issuer:		
(i) has ever pleaded guilty to or been found guilty of an offence?		
(ii) is the subject of any current charge, indictment or proceeding for an offence?		

4. BANKRUPTCY

If you answer "YES" to any item in this Question 4, you must provide complete details in an attachment and attach a copy of any discharge, release or other applicable document.	**YES**	**NO**
A. Have you, in any jurisdiction or in any foreign jurisdiction, within the past **10 years** had a petition in bankruptcy issued against you, made a voluntary assignment in bankruptcy, made a proposal under any bankruptcy or insolvency legislation, been subject to any proceeding, arrangement or compromise with creditors, or had a receiver, receiver-manager or trustee appointed to manage your assets?		
B. Are you now an undischarged bankrupt?		

C. To the best of your knowledge, are you or have you **ever** been a director, officer, promoter, insider, or control person of an issuer, in any jurisdiction or in any foreign jurisdiction, at the time of events, or for a period of 12 months preceding the time of events, where the issuer:		
(i) has made a petition in bankruptcy, a voluntary assignment in bankruptcy, a proposal under any bankruptcy or insolvency legislation, been subject to any proceeding, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to manage the issuer's assets?		
(ii) is now an undischarged bankrupt?		

5. PROCEEDINGS – If you answer "YES" to any item in Question 5 you must provide complete details in an attachment.

	YES	**NO**
A. CURRENT PROCEEDINGS BY SECURITIES REGULATORY AUTHORITY OR SELF REGULATORY OR PROFESSIONAL ORGANIZATION. Are you now, in any jurisdiction or in any foreign jurisdiction, the subject of:		
(i) a notice of hearing or similar notice issued by a SRA?		
(ii) a proceeding or to your knowledge, under investigation, by an exchange or other self regulatory or professional organization?		
(iii) settlement discussions or negotiations for settlement of any nature or kind whatsoever with a SRA or any self regulatory or professional organization?		
B. PRIOR PROCEEDINGS BY SECURITIES REGULATORY AUTHORITY OR SELF REGULATORY OR PROFESSIONAL ORGANZIATIONS. Have you ever:		
(i) been reprimanded, suspended, fined, been the subject of an administrative penalty, or otherwise been the subject of any disciplinary proceedings of any kind whatsoever, in any jurisdiction or in any foreign jurisdiction, by a SRA or self regulatory or professional organization?		
(ii) had a registration or licence for the trading of securities, exchange or commodity futures contracts, real estate, insurance or mutual fund products cancelled, refused, restricted or suspended?		
(iii) been prohibited or disqualified under securities, corporate or any other legislation from acting as a director or officer of a reporting issuer?		
(iv) had a cease trading or similar order issued against you or an order issued against you that denied you the right to use any statutory prospectus or registration exemption?		
(v) had any other proceeding of any nature or kind taken against you?		
C. SETTLEMENT AGREEMENT(S)		
Have you ever entered into a settlement agreement with a SRA, self regulatory or professional organization, attorney general or comparable official or body, in any jurisdiction or in any foreign jurisdiction, in a matter that involved actual or alleged fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading in securities or exchange or commodity futures contracts, illegal distributions, failure to disclose material facts or changes or		

	YES	NO
similar conduct, or any other settlement agreement with respect to any other violation of securities legislation in a jurisdiction or in a foreign jurisdiction or the rules of any self regulatory or professional organization?		
D. To the best of your knowledge, are you now or have you ever been a director, officer, promoter, insider, or control person of an issuer at the time of such event, in any jurisdiction or in any foreign jurisdiction, for which a securities regulatory authority or self regulatory or professional organization has:		
(i) refused, restricted, suspended or cancelled the registration or licensing of an issuer to trade securities, exchange or commodity futures contracts, or to sell or trade real estate, insurance or mutual fund products?		
(ii) issued a cease trade or similar order or imposed an administrative penalty of any nature or kind whatsoever against the issuer, other than an order for failure to file financial statements that was revoked within 30 days of its issuance?		
(iii) refused a receipt for a prospectus or other offering document, denied any application for listing or quotation or any other similar application, or issued an order that denied the issuer the right to use any statutory prospectus or registration exemptions?		
(iv) issued a notice of hearing, notice as to a proceeding or similar notice against the issuer?		
(v) taken any other proceeding of any nature or kind against the issuer, including a trading halt, suspension or delisting of the issuer (other than in the normal course for proper dissemination of information, pursuant to a reverse takeover, backdoor listing or similar transaction)?		
(vi) entered into a settlement agreement with the issuer in a matter that involved actual or alleged fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading in securities or exchange or commodity futures contracts, illegal distributions, failure to disclose material facts or changes or similar conduct by the issuer, or involved in any other violation of securities legislation in a jurisdiction or in a foreign jurisdiction or a self regulatory or professional organization's rules?		

6. **CIVIL PROCEEDINGS –** If you answer "YES" to any item in this Question 6, you must provide complete details in an attachment.

	Yes	No
A. JUDGMENT, GARNISHMENT AND INJUNCTIONS **Has a court in any jurisdiction or in any foreign jurisdiction:**		
(i) rendered a judgment, ordered garnishment or issued an injunction or similar ban (whether by consent or otherwise) against you in a claim based in whole or in part on fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, illegal distributions, failure to disclose material facts or changes or allegations of similar conduct?		
(ii) rendered a judgment, ordered garnishment or issued an injunction or similar ban (whether by consent or otherwise) against an issuer, for which you are currently or have ever been a director, officer, promoter, insider or control person, in a claim based in whole or in part on fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, illegal distributions, failure to disclose material facts or changes or allegations of similar conduct?		

	Yes	No
B. CURRENT CLAIMS		
(i) Are you now subject, in any jurisdiction or in any foreign jurisdiction, of a claim that is based in whole or in part on actual or alleged fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, illegal distributions, failure to disclose material facts or changes or allegations of similar conduct?		
(ii) To the best of your knowledge, are you currently or have you ever been a director, officer, promoter, insider or control person of an issuer now subject, in any jurisdiction or in any foreign jurisdiction, of a claim that is based in whole or in part on actual or alleged fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, illegal distributions, failure to disclose material facts or changes or allegations of similar conduct?		
C. SETTLEMENT AGREEMENT		
(i) Have you ever entered into a settlement agreement, in any jurisdiction or in any foreign jurisdiction, in a civil action that involved actual or alleged fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, illegal distributions, failure to disclose material facts or changes or allegations of similar conduct?		
(ii) To the best of your knowledge, are you currently or have you ever been a director, officer, promoter, insider or control person of an issuer that has entered into a settlement agreement, in any jurisdiction or in any foreign jurisdiction, in a civil action that involved actual or alleged fraud, theft, deceit, misrepresentation, conspiracy, breach of trust, breach of fiduciary duty, insider trading, unregistered trading, illegal distributions, failure to disclose material facts or changes or allegations of similar conduct?		

CERTIFICATE AND CONSENT

I, _____ hereby certify that:
(Please Print – Name of Individual)

(a) I have read and understood the questions, cautions, acknowledgement and consent in this PIF, and the answers I have given to the questions in this PIF and in any attachments to it are true and correct, except where stated to be to the best of my knowledge, in which case I believe the answers to be true;

(b) I have read and understand the Personal Information Collection Policy attached hereto as Schedule 2 (the **Personal Information Collection Policy**);

(c) I consent to the collection, use and disclosure of the information in this PIF and to the collection, use and disclosure of further personal information in accordance with the Personal Information Collection Policy; and

(d) I understand that I am providing this PIF to a regulator listed in Schedule 3 attached hereto and I am under the jurisdiction of the regulator to which I submit this PIF, and it is a breach of securities legislation to provide false or misleading information to the regulator.

_____
Date

_____
Signature of Person Completing this PIF

PERSONAL INFORMATION FORM
AND AUTHORIZATION OF INDIRECT COLLECTION,
USE AND DISCLOSURE OF PERSONAL INFORMATION

Schedule 2
Personal Information Collection Policy

The regulators listed in Schedule 3 *Regulators* collect the personal information in Schedule 1 *Personal Information Form and Authorization of Indirect Collection, Use and Disclosure of Personal Information* under the authority granted to them under provincial and territorial securities legislation. Under securities legislation, the regulators do not make any of the information provided in Schedule 1 public.

The regulators collect the personal information in Schedule 1 for the purpose of enabling the regulators to administer and enforce provincial and territorial securities legislation, including those provisions that require or permit the regulators to refuse to designate a CRO if it appears to the regulator that it would be contrary to the public interest to do so, or to revoke a designation of a CRO if it appears to be in the public interest to do so.

You understand that by signing the certificate and consent in Schedule 1, you are consenting to the CRO submitting your personal information in Schedule 1 (the **Information**) to the regulators and to the collection and use by the regulators of the Information, as well as any other information that may be necessary to administer and enforce provincial and territorial securities legislation. This may include the collection of information from law enforcement agencies, other government or nongovernmental regulatory authorities, self-regulatory organizations, exchanges, and quotation and trade reporting systems in order to conduct background checks, verify the Information and perform investigations and conduct enforcement proceedings as required to ensure compliance with provincial and territorial securities legislation.

You understand that the CRO is required to deliver the Information to the regulators because the CRO has filed an application for designation under provincial and territorial securities legislation. You also understand that you have a right to be informed of the existence of personal information about you that is kept by regulators, that you have the right to request access to that information, and that you have the right to request that such information be corrected, subject to the applicable provisions of the freedom of information and protection of privacy legislation adopted by each province and territory.

You also understand and agree that the Information the regulators collect about you may also be disclosed, as permitted by law, where its use and disclosure is for the purposes described above. The regulators may also use a third party to process the Information, but when this happens, the third party will be carefully selected and obligated to comply with the limited use restrictions described above and with provincial and federal privacy legislation.

Warning**:** *It is an offence to submit information that, in a material respect and at the time and in the light of the circumstances in which it is submitted, is misleading or untrue.*

Questions

If you have any questions about the collection, use, and disclosure of the information you provide to the regulators, you may contact the regulator in the jurisdiction in which the required information is filed, at the address or telephone number listed in Schedule 3.

PERSONAL INFORMATION FORM
AND AUTHORIZATION OF INDIRECT COLLECTION,
USE AND DISCLOSURE OF PERSONAL INFORMATION

Schedule 3
Regulators

Local Jurisdiction	Regulator
Alberta	Securities Review Officer Alberta Securities Commission Suite 400 300 – 5th Avenue S.W Calgary, Alberta T2P 3C4 Telephone: (403) 297-6454 E-mail: inquiries@seccom.ab.ca www.albertasecurities.com
British Columbia	Review Officer British Columbia Securities Commission P.O. Box 10142 Pacific Centre 701 West Georgia Street Vancouver, British Columbia V7Y 1L2 Telephone: (604) 899-6854 Toll Free within British Columbia and Alberta: (800) 373-6393 E-mail: inquiries@bcsc.bc.ca www.bcsc.bc.ca
Manitoba	Director, Corporate Finance The Manitoba Securities Commission 500-400 St. Mary Avenue Winnipeg, Manitoba R3C 4K5 Telephone: (204) 945-2548 E-mail: securities@gov.mb.ca www.msc.gov.mb.ca
New Brunswick	Director Regulatory Affairs and Chief Financial Officer New Brunswick Securities Commission 85 Charlotte Street, Suite 300 Saint John, New Brunswick E2L 2J2 Telephone: (506) 658-3060 Fax: (506) 658-3059 E-mail: information@nbsc-cvmnb.ca
Newfoundland and Labrador	Director of Securities Department of Government Services and Lands P.O. Box 8700 West Block, 2nd Floor, Confederation Building St. John's, Newfoundland and Labrador A1B 4J6 Telephone: (709) 729-4189 www.gov.nf.ca/gsl/cca/s
Northwest Territories	Securities Registries Department of Justice Government of the Northwest Territories P.O. Box 1320, Yellowknife, Northwest Territories X1A 2L9 Telephone: (867) 873- 7490 www.justice.gov.nt.ca/SecuritiesRegistry/SecuritiesRegistry.html

Nova Scotia	Deputy Director, Compliance and Enforcement Nova Scotia Securities Commission P.O. Box 458 Halifax, Nova Scotia B3J 2P8 Telephone: (902) 424-5354 www.gov.ns.ca/nssc
Nunavut	Government of Nunavut Legal Registries Division P.O. Box 1000 – Station 570 Iqaluit, Nunavut X0A 0H0 Telephone: (867) 975-6590
Ontario	Administrative Assistant to the Director of Corporate Finance Ontario Securities Commission 19th Floor, 20 Queen Street West Toronto, Ontario M5H 2S8 Telephone: (416) 597-0681 E-mail: Inquiries@osc.gov.on.ca www.osc.gov.on.ca
Prince Edward Island	Deputy Registrar, Securities Division Shaw Building 95 Rochford Street, P.O. Box 2000, 4th Floor Charlottetown, Prince Edward Island C1A 7N8 Telephone: (902) 368-4550 www.gov.pe.ca/securities
Québec	Autorité des marchés financiers Stock Exchange Tower P.O. Box 246, 22nd Floor 800 Victoria Square Montréal, Québec H4Z 1G3 Attention: Responsable de l'accès à l'information Telephone: (514) 395-0337 Toll Free in Québec: (877) 525-0337 www.lautorite.qc.ca
Saskatchewan	Director Saskatchewan Financial Services Commission Suite 601, 1919 Saskatchewan Drive Regina, Saskatchewan S4P 4H2 Telephone: (306) 787-5842 www.sfsc.gov.sk.ca
Yukon	Registrar of Securities Department of Justice Andrew A. Philipsen Law Centre 2130 – 2nd Avenue, 3rd Floor Whitehorse, Yukon Territory Y1A 5H6 Telephone: (867) 667-5005

FORM 25-101F2
SUBMISSION TO JURISDICTION AND
APPOINTMENT OF AGENT FOR SERVICE OF PROCESS

1. Name of credit rating organization (the **CRO**):

2. Jurisdiction of incorporation, or equivalent, of CRO:

3. Address of principal place of business of CRO:

4. Name of agent for service of process (the **Agent**):

5. Address for service of process of Agent in Canada (the address may be anywhere in Canada):

6. The CRO designates and appoints the Agent at the address of the Agent stated above as its agent upon whom may be served any notice, pleading, subpoena, summons or other process in any action, investigation or administrative, criminal, quasi-criminal, penal or other proceeding (the **Proceeding**) arising out of, relating to or concerning the issuance and maintenance of credit ratings or the obligations of the CRO as a designated rating organization , and irrevocably waives any right to raise as a defence in any such Proceeding any alleged lack of jurisdiction to bring such Proceeding.

7. The CRO irrevocably and unconditionally submits to the non-exclusive jurisdiction of

   (a) the judicial, quasi-judicial and administrative tribunals of each of the provinces [and territories] of Canada in which it is a designated rating organization; and

   (b) any administrative proceeding in any such province [or territory],

   in any Proceeding arising out of or related to or concerning the issuance or maintenance of credit ratings or the obligations of the CRO as a designated rating organization.

8. Until six years after it has ceased to be a designated rating organization in any Canadian province or territory, the CRO shall file a new submission to jurisdiction and appointment of agent for service of process in this form at least 30 days before termination of this submission to jurisdiction and appointment of agent for service of process.

9. Until six years after it has ceased to be a designated rating organization in any Canadian province or territory, the CRO shall file an amended submission to jurisdiction and appointment of agent for service of process at least 30 days before any change in the name or above address of the Agent.

10. This submission to jurisdiction and appointment of agent for service of process shall be governed by and construed in accordance with the laws of [insert province or territory of above address of Agent].

_____ _____
Signature of Credit Rating Organization Date

_____
Print name and title of signing officer
of Credit Rating Organization

AGENT

The undersigned accepts the appointment as agent for service of process of [insert name of CRO] under the terms and conditions of the appointment of agent for service of process stated above.

_____ _____
Signature of Agent Date

_____
Print name of person signing and, if Agent
is not an individual, the title of the person

ANNEX D

COMPANION POLICY 25-101 CP TO
NATIONAL INSTRUMENT 25-101
DESIGNATED RATING ORGANIZATIONS

PART 1 INTRODUCTION

Introduction – National Instrument 25-101 *Designated Rating Organizations* (the **Instrument**) creates a securities regulatory framework for credit rating organizations. This Companion Policy states the views of the Canadian securities regulatory authorities on various matters related to the Instrument.

Scope – Nothing in the Instrument is to be interpreted as regulating the content of a credit rating or the methodology a credit rating organization uses to determine a credit rating.

PART 2 DESIGNATION OF RATING ORGANIZATIONS

Section 3 – Application requirements and additional information – Section 3 of the Instrument sets of the documents that must be provided in connection with an application for designation. To properly assess an application, securities regulators may request further information, documentation, and access to records. Failure to comply with such a request may result in the application being delayed or refused.

PART 3 CODE OF CONDUCT

Deviations from the IOSCO Code – Although a designated rating organization's code of conduct may deviate from the provisions of the IOSCO Code, section 7 of the Instrument provides that a code of conduct must also specify that a designated rating organization must not waive provisions of its code of conduct. The purpose of section 7 is to ensure that the behaviour and conduct publicly articulated in a code of conduct actually reflects the behaviour and conduct within a designated rating organization.

PART 4 ADDITIONAL MINIMUM REQUIREMENTS

Section 8 Conflict of Interest – The prohibited conflicts listed in section 8 of the Instrument are not intended to be exhaustive, or to supersede a designated rating organization's obligation to ensure compliance with its code of conduct, which must address the various conflict of interest provisions referred to in the IOSCO Code.

ANNEX E

PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 41-101
GENERAL PROSPECTUS REQUIREMENTS

1. National Instrument 41-101 *General Prospectus Requirements* is amended by this Instrument.

2. Form 41-101F1 Information Required in a Prospectus is amended by replacing section 10.9 with the following:

"**10.9 Ratings** (1) If you have asked for and received a credit rating, or if you are aware that you have received any other kind of rating, including a stability rating or a provisional rating, from one or more credit rating organizations for securities of your company that are outstanding and the rating or ratings continue in effect, disclose

(a) each rating received from a credit rating organization;

(b) for each rating disclosed under paragraph (a), the name of the credit rating organization that has assigned the rating;

(c) a definition or description of the category in which each credit rating organization rated the securities and the relative rank of each rating within the organization's overall classification system;

(d) an explanation of what the rating addresses and what attributes, if any, of the securities are not addressed by the rating;

(e) any factors or considerations identified by the credit rating organization as giving rise to unusual risks associated with the securities;

(f) a statement that a credit rating or a stability rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the credit rating organization; and

(g) any announcement made by, or any proposed announcement known to the issuer that is to be made by, a credit rating organization to the effect that the organization is reviewing or intends to revise or withdraw a rating previously assigned and required to be disclosed under this section.

(2) If payments were, or reasonably will be, made to a credit rating organization that provided a rating described in section (1), state that fact and separately disclose the amounts paid to the credit rating organization with respect to:

(a) the rating, and

(b) any other service provided to you by the credit rating organization during the last two years.

INSTRUCTIONS

There may be factors relating to a security that are not addressed by a credit rating organization when they give a rating. For example, in the case of cash settled derivatives, factors in addition to the creditworthiness of the issuer, such as the continued subsistence of the underlying interest or the volatility of the price, value or level of the underlying interest may be reflected in the rating analysis. Rather than being addressed in the rating itself, these factors may be described by a credit rating organization by way of a superscript or other notation to a rating. Any such attributes must be discussed in the disclosure under this section."

3. Form 41-101F2 Information Required in an Investment Fund Prospectus is amended by replacing section 21.8 with the following:

"**21.8 Ratings** (1) If the investment fund has asked for and received a credit rating, or if the investment fund is aware that it has received any other kind of rating, including a stability rating or a provisional rating, from one or more credit rating organizations for securities of your company that are outstanding and the rating or ratings continue in effect, disclose

(a) each rating received from a credit rating organization;

(b) for each rating disclosed under paragraph (a), the name of the credit rating organization that has assigned the rating;

(c) a definition or description of the category in which each credit rating organization rated the securities and the relative rank of each rating within the organization's overall classification system;

(d) an explanation of what the rating addresses and what attributes, if any, of the securities are not addressed by the rating;

(e) any factors or considerations identified by the credit rating organization as giving rise to unusual risks associated with the securities;

(f) a statement that a credit rating or a stability rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the credit rating organization; and

(g) any announcement made by, or any proposed announcement known to the investment fund that is to be made by, a credit rating organization to the effect that the organization is reviewing or intends to revise or withdraw a rating previously assigned and required to be disclosed under this section.

(2) If payments were, or reasonably will be, made to a credit rating organization that provided a rating described in section (1), state that fact and separately disclose the amounts paid to the credit rating organization with respect to:

(a) the rating, and

(b) any other service provided to you by the credit rating organization during the last two years."

INSTRUCTIONS

There may be factors relating to a security that are not addressed by a credit rating organization when they give a rating. For example, in the case of cash settled derivatives, factors in addition to the creditworthiness of the issuer, such as the continued subsistence of the underlying interest or the volatility of the price, value or level of the underlying interest may be reflected in the rating analysis. Rather than being addressed in the rating itself, these factors may be described by a credit rating organization by way of a superscript or other notation to a rating. Any such attributes must be discussed in the disclosure under this section."

4. This Instrument comes into force on ●.

ANNEX F

PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 44-101
SHORT FORM PROSPECTUS DISTRIBUTIONS

1. National Instrument 44-101 *Short Form Prospectus Distributions* is amended by this Instrument.

2. Form 44-101F1 Short Form Prospectus is amended by replacing Item 7.9 with the following:

"**7.9 Ratings** (1) If you have asked for and received a credit rating, or if you are aware that you have received any other kind of rating, including a stability rating or a provisional rating, from one or more credit rating organizations for securities of your company that are outstanding and the rating or ratings continue in effect, disclose

(a) each rating received from a credit rating organization;

(b) for each rating disclosed under paragraph (a), the name of the credit rating organization that has assigned the rating;

(c) a definition or description of the category in which each credit rating organization rated the securities and the relative rank of each rating within the organization's overall classification system;

(d) an explanation of what the rating addresses and what attributes, if any, of the securities are not addressed by the rating;

(e) any factors or considerations identified by the credit rating organization as giving rise to unusual risks associated with the securities;

(f) a statement that a credit rating or a stability rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the credit rating organization; and

(g) any announcement made by, or any proposed announcement known to the issuer that is to be made by, a credit rating organization to the effect that the organization is reviewing or intends to revise or withdraw a rating previously assigned and required to be disclosed under this section.

(2) If payments were, or reasonably will be, made to a credit rating organization that provided a rating described in section (1), state that fact and separately disclose the amounts paid to the credit rating organization with respect to:

(a) the rating, and

(b) any other service provided to you by the credit rating organization during the last two years.

INSTRUCTIONS

There may be factors relating to a security that are not addressed by a credit rating organization when they give a rating. For example, in the case of cash settled derivatives, factors in addition to the creditworthiness of the issuer, such as the continued subsistence of the underlying interest or the volatility of the price, value or level of the underlying interest may be reflected in the rating analysis. Rather than being addressed in the rating itself, these factors may be described by a credit rating organization by way of a superscript or other notation to a rating. Any such attributes must be discussed in the disclosure under this section."

3. This Instrument comes into force on ●.

ANNEX G

PROPOSED AMENDMENTS TO
NATIONAL INSTRUMENT 51-102
CONTINUOUS DISCLOSURE OBLIGATIONS

1. National Instrument 51-102 *Continuous Disclosure Obligations* is amended by this Instrument.

2. Form 51-102F2 *Annual Information Form* is amended by replacing section 7.3 with the following:

"**7.3 Ratings** (1) If you have asked for and received a credit rating, or if you are aware that you have received any other kind of rating, including a stability rating or a provisional rating, from one or more credit rating organizations for securities of your company that are outstanding and the rating or ratings continue in effect, disclose

(a) each rating received from a credit rating organization;

(b) for each rating disclosed under paragraph (a), the name of the credit rating organization that has assigned the rating;

(c) a definition or description of the category in which each credit rating organization rated the securities and the relative rank of each rating within the organization's overall classification system;

(d) an explanation of what the rating addresses and what attributes, if any, of the securities are not addressed by the rating;

(e) any factors or considerations identified by the credit rating organization as giving rise to unusual risks associated with the securities;

(f) a statement that a credit rating or a stability rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the credit rating organization; and

(g) any announcement made by, or any proposed announcement known to the issuer that is to be made by, a credit rating organization to the effect that the organization is reviewing or intends to revise or withdraw a rating previously assigned and required to be disclosed under this section.

(2) If payments were, or reasonably will be, made to a credit rating organization that provided a rating described in section (1), state that fact and separately disclose the amounts paid to the credit rating organization with respect to:

(a) the rating, and

(b) any other service provided to you by the credit rating organization during the last two years.

INSTRUCTIONS

There may be factors relating to a security that are not addressed by a credit rating organization when they give a rating. For example, in the case of cash settled derivatives, factors in addition to the creditworthiness of the issuer, such as the continued subsistence of the underlying interest or the volatility of the price, value or level of the underlying interest may be reflected in the rating analysis. Rather than being addressed in the rating itself, these factors may be described by a credit rating organization by way of a superscript or other notation to a rating. Any such attributes must be discussed in the disclosure under section 7.3."

3. This Instrument comes into force on ●.

ANNEX H

NATIONAL POLICY 11-205
PROCESS FOR DESIGNATION OF
CREDIT RATING ORGANIZATIONS IN MULTIPLE JURISDICTIONS

NATIONAL POLICY 11-205
PROCESS FOR DESIGNATION OF
CREDIT RATING ORGANIZATION IN MULTIPLE JURISDICTIONS

PART 1 APPLICATION

1. Application – This policy describes the process for the filing and review of an application to become a designated rating organization in more than one jurisdiction of Canada.

PART 2 DEFINITIONS

2. Definitions – In this policy

"AMF" means the regulator in Québec;

"application" means an application to become a designated rating organization;

"dual application" means an application described in section 6 of this policy;

"dual review" means the review under this policy of a dual application;

"filer" means

(a) a person or company filing an application, or

(b) an agent of a person or company referred to in paragraph (a);

"MI 11-102" means Multilateral Instrument 11-102 *Passport System*;

"NI 25-101" means National Instrument 25-101 *Designated Rating Organizations*;

"notified passport jurisdiction" means a passport jurisdiction for which a filer gave the notice referred to in section 4B.6 (1) (c) of MI 11-102;

"OSC" means the regulator in Ontario;

"passport application" means an application described in section 5 of this policy;

"passport jurisdiction" means the jurisdiction of a passport regulator;

"passport regulator" means a regulator that has adopted MI 11-102;

"regulator" means a securities regulatory authority or regulator.

3. Further definitions – Terms used in this policy that are defined in MI 11-102, National Instrument 14-101 *Definitions* or NI 25-101 have the same meanings as in those instruments.

PART 3 OVERVIEW, PRINCIPAL REGULATOR AND GENERAL GUIDELINES

4. Overview

This policy applies to any application. These are the possible types of applications:

(a) The principal regulator is a passport regulator and the filer does not seek a designation in Ontario. This is a "passport application."

(b) The principal regulator is the OSC and the filer also seeks a designation in a passport jurisdiction. This is also a "passport application."

(c) The principal regulator is a passport regulator and the filer also seeks a designation in Ontario. This is a "dual application."

5. Passport application

(1) If the principal regulator is a passport regulator and the filer does not seek a designation in Ontario, the filer files the application only with, and pays fees only to, the principal regulator. Only the principal regulator reviews the application. The principal regulator's decision to grant the designation automatically results in a deemed designation in the notified passport jurisdictions.

(2) If the principal regulator is the OSC and the filer also seeks designation in a passport jurisdiction, the filer files the application only with, and pays fees only to the OSC. Only the OSC reviews the application. The OSC's decision to grant the designation automatically results in a deemed designation in the notified passport jurisdictions.

6. Dual application – Designation sought in passport jurisdiction and Ontario

If the principal regulator is a passport regulator and the filer also seeks a designation in Ontario, the filer files the application with, and pays fees to the principal regulator and the OSC. The principal regulator reviews the application and the OSC, as non-principal regulator, coordinates its review with the principal regulator. The principal regulator's decision to grant the designation automatically results in a deemed designation in the notified passport jurisdictions and, if the OSC has made the same decision as the principal regulator, evidences the decision of the OSC.

7. Principal regulator for an application

(1) For an application under this policy, the principal regulator is identified in the same manner as in sections 4B.2 to 4B.5 of MI 11-102.

(2) If the filer cannot determine its principal regulator under 4B.2 (a) or (b) of MI 11-102, section 4B.2(c) of MI 11-102 requires that the filer determine its principal regulator by determining the specified jurisdiction with which the filer has the most significant connection. Sections 4B.3 and 4B.4 also establish circumstances in which the filer may need to determine its principal regulator.

(3) For the purpose of this section, a specified jurisdiction is one of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Québec, Nova Scotia and New Brunswick.

(4) The factors a filer should consider in identifying the principal regulator for the application based on the most significant connection test are, in order of influential weight:

(a) jurisdiction where the filer generated the majority of its credit rating related revenue in the 3-year period preceding the date of its application, or

(b) jurisdiction where the filer issued the most initial ratings in the 3-year period preceding the date of its application.

8. Discretionary change in principal regulator

(1) If the principal regulator identified under section 7 of this policy thinks it is not the appropriate principal regulator, it will first consult with the filer and the appropriate regulator and then give the filer a written notice of the new principal regulator and the reasons for the change.

(2) A filer may request a discretionary change of principal regulator for an application if

(a) the filer concludes that the principal regulator identified under section 7 of this policy is not the appropriate principal regulator,

(b) the location of the head office changes over the course of the application,

(c) the most significant connection to a specified jurisdiction changes over the course of the application, or

(d) the filer withdraws its application in the principal jurisdiction because it does not want to be designated in that jurisdiction.

(3) Regulators do not anticipate changing a principal regulator except in exceptional circumstances.

(4) A filer should submit a written request for a change in principal regulator to its current principal regulator and include the reasons for requesting the change.

PART 4 FILING MATERIALS

9. Election to file under this policy and identification of principal regulator

In an application, the filer should indicate whether it is filing a passport application or a dual application and identify the principal regulator for the application.

10. Materials to be filed with application

(1) For a passport application, the filer should remit to the principal regulator the fees payable under the securities legislation of the principal regulator, and file the following materials with the principal regulator only:

(a) a written application in which the filer:

(i) states the basis for identifying the principal regulator under section 7 of this policy,

(ii) gives notice of the non-principal passport jurisdictions for which section 4B.6 of MI 11-102 is intended to be relied upon,

(iii) tsates that the filer and any relevant party is not in default of securities legislation applicable to credit rating organizations in any jurisdiction of Canada or in any jurisdiction in which the filer operates or, if the filer is in default, the nature of the default;

(b) the materials required by section 2 of NI 25-101;

(c) other supporting materials.

(2) For a dual application, the filer should remit the fees payable under the securities legislation of the principal regulator and the OSC, and file the following materials with the principal regulator and the OSC:

(a) a written application in which the filer:

(i) states the basis for identifying the principal regulator under section 7 of this policy,

(ii) gives notice of the non-principal passport jurisdictions for which section 4B.6 of MI 11-102 is intended to be relied upon,

(iii) states that the filer is not in default of securities legislation applicable to credit rating organizations in any jurisdiction of Canada or in any jurisdiction in which the filer operates or, if the filer is in default, the nature of the default;

(b) the materials required by section 2 of NI 25-101;

(c) other supporting materials.

11. Language – A filer seeking a designation in Québec should file a French language version of the draft decision when the AMF is acting as principal regulator.

12. Materials to be filed to make a designation available in an additional passport jurisdiction under section 4B.6 of MI 11-102

(1) Under section 4B.6 of MI 11-102, the principal regulator's decision to grant the designation under a passport application or dual application can become available in a non-principal passport jurisdiction for which the filer did not give the notice referred to in section 10(1) (a) (ii) or 10(2) (a) (ii) of this policy in the initial application if certain conditions are met. One of the conditions is that the filer gives the notice under section 4B.6 (1) (c) of MI 11-102 for the additional non-principal passport jurisdiction.

(2) For greater certainty, a filer may not rely on section 4B.6 of MI 11-102 to obtain an automatic designation under the provision of Ontario's securities legislation.

(3) The filer should give the notice referred to in subsection (1) to the principal regulator for the initial application. The notice should

(a) list each relevant non-principal passport jurisdiction for which notice is given that section 4B.6 of MI 11-102 is intended to be relied upon,

(b) include the date of the decision of the principal regulator for the initial application, if the notice is given under section 4B.6(1)(c) of MI 11-102,

(c) include the citation for the regulator's decision, and

(d) confirm that the designation is still in effect.

(4) The regulator that receives the notice referred to in section 10 will send a copy of the notice and its decision to the regulator in the relevant non-principal passport jurisdiction.

13. Filing – A filer should send the application materials in paper together with the fees to

(a) the principal regulator, in the case of a passport application, and

(b) the principal regulator and the OSC, in the case of a dual application.

The filer should also provide an electronic copy of the application materials, including the draft decision document, by e-mail or on CD ROM. Filing the application concurrently in all required jurisdictions will make it easier for the principal regulator and non-principal regulators, if applicable, to process the application expeditiously.

Filers should send application materials by e-mail using the relevant address or addresses listed below:

British Columbia	www.bcsc.bc.ca (click on BCSC e-services and follow the steps)
Alberta	legalapplications@asc.ca
Saskatchewan	exemptions@sfsc.gov.sk.ca
Manitoba	exemptions.msc@gov.mb.ca
Ontario	applications@osc.gov.on.ca
Québec	Dispenses-Passeport@lautorite.qc.ca
New Brunswick	Passport-passeport@nbsc-cvmnb.ca
Nova Scotia	nsscexemptions@gov.ns.ca
Prince Edward Island	CCIS@gov.pe.ca
Newfoundland andLabrador	securitiesexemptions@gov.nl.ca
Yukon	corporateaffairs@gov.yk.ca
Northwest Territories	securitiesregistry@gov.nt.ca
Nunavut	legalregistries@gov.nu.ca

14. Incomplete or deficient material – If the filer's materials are deficient or incomplete, the principal regulator may ask the filer to file an amended application. This will likely delay the review of the application.

15. Acknowledgment of receipt of filing

After the principal regulator receives a complete and adequate application, the principal regulator will send the filer an acknowledgment of receipt of the application. The principal regulator will send a copy of the acknowledgement to any other regulator with whom the filer has filed the application. The acknowledgement will identify the name, phone number, fax number and e-mail address of the individual reviewing the application.

16. Withdrawal or abandonment of application

(1) If a filer withdraws an application at any time during the process, the filer is responsible for notifying the principal regulator and any non-principal regulator with whom the filer filed the application and for providing an explanation of the withdrawal.

(2) If at any time during the review process, the principal regulator determines that a filer has abandoned an application, the principal regulator will notify the filer that it will mark the application as "abandoned". In that case, the principal regulator will close the file without further notice to the filer unless the filer provides acceptable reasons not to close the file in writing within 10 business days. If the filer does not, the principal regulator will notify the filer and any non-principal regulator with whom the filer filed the application that the principal regulator has closed the file.

PART 5 REVIEW OF MATERIALS

17. Review of passport application

(1) The principal regulator will review any passport application in accordance with its securities legislation and securities directions and based on its review procedures, analysis and considering previous decisions.

(2) The filer will deal only with the principal regulator, who will provide comments to and receive responses from the filer.

18. Review and processing of dual application

(1) The principal regulator will review any dual application in accordance with its securities legislation and securities directions, and based on its review procedures, analysis and considering previous decisions. The principal regulator will consider any comments from a non-principal regulator with whom the filer filed the application. Please refer to section 10 (2) of this policy for guidance on filing an application with the OSC as non-principal regulator with whom a filer should file a dual application.

(2) The filer will generally deal only with the principal regulator, who will be responsible for providing comments to the filer once it has considered the comments from the non-principal regulators and completed its own review. However, in exceptional circumstances, the principal regulator may refer the filer to the OSC as non-principal regulator.

PART 6 DECISION-MAKING PROCESS

19. Passport application

(1) After completing the review process and after considering the recommendation of its staff, the principal regulator will determine whether to grant or deny the designation sought in a passport application.

(2) If the principal regulator is not prepared to grant the designation based on the information before it, it will notify the filer accordingly.

(3) If a filer receives a notice under subsection (2) and this process is available in the principal jurisdiction, the filer may request the opportunity to appear before, and make submissions to, the principal regulator.

20. Dual application

(1) After completing the review process and after considering the recommendation of its staff, the principal regulator will determine whether to grant or deny the designation sought in a dual application and immediately circulate its decision to the OSC.

(2) The OSC will have at least 10 business days from receipt of the principal regulator's decision to confirm whether it has made the same decision and is opting in or is opting out of the dual review.

(3) If the OSC is silent, the principal regulator will consider that the OSC has opted out.

(4) If the filer shows that it is necessary and reasonable in the circumstances, the principal regulator may request, but cannot require, the OSC to abridge the opt-out period.

(5) The principal regulator will not send the filer a decision for a dual application before the earlier of

(a) the expiry of the opt-out period, or

(b) receipt from the OSC of the confirmation referred to in subsection (2).

(6) If the principal regulator is not prepared to grant the designation a filer sought in its dual application based on the information before it, it will notify the filer and the OSC.

(7) If a filer receives a notice under subsection (6) and this process is available in the principal jurisdiction, the filer may request the opportunity to appear before, and make submissions to, the principal regulator. The principal regulator may hold a hearing on its own, or jointly or concurrently with the OSC. After the hearing, the principal regulator will send a copy of the decision to the filer and the OSC.

(8) If the OSC elects to opt out it will notify the filer and the principal regulator and give its reasons for opting out. The filer may deal directly with the OSC to resolve outstanding issues and obtain a decision without having to file a new application or pay any additional related fees. If the filer and the OSC resolve all outstanding issues, the OSC may opt back into the dual review by notifying the principal regulator within the opt-out period referred to in subsection (2).

PART 7 DECISION

21. Effect of decision made under passport application

(1) The decision of the principal regulator under a passport application is the decision of the principal regulator. Under MI 11-102, a filer is automatically designated in the notified passport jurisdictions as a result of the decision of the principal regulator making the designation.

(2) Except in the circumstances described in section 12 (1) of this policy, the designation is effective in each notified passport jurisdiction on the date of the principal regulator's decision (even if the regulator in the notified passport jurisdiction is closed on that date). In the circumstances described in section 12 (1) of this policy, the designation is effective in the relevant non-principal passport jurisdiction on the date the filer gives the notice under section 4B.6 (1)(c) of MI 11-102 for that jurisdiction (even if the regulator in that jurisdiction is closed on that date).

22. Effect of decision made under dual application

(1) The decision of the principal regulator under a dual application is the decision of the principal regulator. Under MI 11-102, a filer is automatically designated in the notified passport jurisdictions as a result of the decision of principal regulator making the designation. The decision of the principal regulator under a dual application also evidences the OSC's decision, if the OSC has confirmed that it has made the same decision as the principal regulator.

(2) The principal regulator will not issue the decision until the earlier of

(a) the date that the OSC confirms that it has made the same decision as the principal regulator, or

(b) the date the opt-out period referred to in section 20(2) of this policy has expired.

23. Listing non-principal jurisdictions

(1) For convenience, the decision of the principal regulator on a passport application or a dual application will refer to the notified passport jurisdictions, but it is the filer's responsibility to ensure that it gives the required notice for each jurisdiction for which section 4B.6(1) of MI 11-102 is intended to be relied upon.

(2) The decision of the principal regulator on a dual application will contain wording that makes it clear that the decision evidences and sets out the decision of the OSC to the effect that it has made the same decision as the principal regulator.

(3) For a dual application for which Québec is not the principal jurisdiction, the AMF will issue a local decision concurrently with and in addition to the principal regulator's decision. The AMF decision will contain the same terms and conditions as the principal regulator's decision. No other local regulator will issue a local decision.

24. Issuance of decision – The principal regulator will send the decision to the filer and to all non-principal regulators.

PART 8 EFFECTIVE DATE

25. Effective date

This policy comes into effect on ●.

ANNEX I

ADDITIONAL INFORMATION REQUIRED IN ONTARIO

Authority for the Proposed Materials

The Proposed Instrument is being proposed for implementation in Ontario as a rule. The Commission is seeking legislative amendments to section 143 of the *Securities Act* in (Ontario) to provide the requisite rule-making authority.

The proposed consequential amendments to each of National Instrument 41-101 *General Prospectus Requirements* and National Instrument 44-101 *Short Form Prospectus Requirements* are being proposed under the authority of section 143(1) 39, which provides the Commission with the authority to make rules requiring or respecting the preparation, form and content of prospectuses and preliminary prospectuses.

The proposed consequential amendments to National Instrument 51-102 *Continuous Disclosure Obligations* are being proposed under section 143(1)22, which provides the Commission with the authority to make rules prescribing requirements in respect of the preparation of documents providing for continuous disclosure, including requirements in respect of an annual information form.

Alternatives Considered

No alternatives to this approach were considered.

Unpublished Materials

In proposing the Proposed Materials, we have not relied upon any significant unpublished study, report or decision.

Anticipated Costs and Benefits

As the conduct of a CRO's business may have an significant impact upon credit markets, and because ratings continue to be referred to within securities legislation, we believe that it is important to develop a regime in which CROs may be regulated. The purpose of the Proposed Instrument is to provide issuers, investors and other users of ratings with information regarding what ratings mean, how ratings are determined, and historical information regarding how ratings have performed. In addition, the Proposed Instrument addresses the various conflicts of interest that may arise in connection with the issuance of ratings regarding a particular security. Together, these contribute toward the integrity of the ratings process.

In developing the Proposed Materials, we were cognizant that they would impose compliance costs on designated rating organizations. In particular, a designated rating organization would be required to:

- establish, maintain and ensure compliance with a code of conduct that is on terms substantially the same as the IOSCO Code,
- establish policies and procedures reasonably designed to identify and manage any conflicts of interest that arise in connection with the issuance of credit ratings,
- not issue or maintain a credit rating in the face of specified conflicts of interest,
- appoint a compliance officer to be responsible for monitoring and assessing the designated rating organization's compliance with its code of conduct and the proposed regulatory framework,
- have policies and procedures reasonably designed to prevent the inappropriate use and/or dissemination of certain material non-public information, including a pending undisclosed rating action, and
- file on an annual basis a form containing prescribed information.

However, the Proposed Instrument was designed in a manner to minimize these costs, where appropriate. In particular:

- We developed the Proposed Instrument in a manner to ensure that the obligations and responsibilities imposed upon designated rating organizations are, to the extent feasible, complimentary to those in other jurisdictions. For example, under the Proposed Instrument, the conflict of interest rules applicable to a designated rating organization are largely consistent with those applicable to an NRSRO in the United States, and an NRSRO may satisfy certain filing obligations under the Proposed Instrument by filing its U.S. documentation. In this regard, we note that the four largest global CROs are currently registered as NRSROs.

- A core requirement of the Proposed Instrument is that a designated rating organization adopt a code of conduct on terms substantially similar to the IOSCO Code. We also note that each of the four largest global CROs already maintains a code of conduct that is substantially compliant with the IOSCO Code.

- The Proposed Materials provide CROs with the ability to use the "passport" regime to facilitate the filing of an application in multiple jurisdictions.

As a result, we believe that the additional costs of compliance with the Proposed Instrument will be minimal.

We anticipate that the Proposed Instrument will not create additional barriers to entry for CROs, as it remains possible for a CRO to continue it business in Canada without being designated. However, a CRO that does not seek designated may, as a result of market forces, be faced with reduced demand for its services in Canada.

We believe that designated rating organization compliance with the Proposed Instrument will benefit the marketplace, individual issuers and investors, as it addresses issues associated with the quality and integrity of the rating process. Although CROs may already engage in some or all of the practices required by the Proposed Instrument, the regulatory framework would permit us the opportunity to evaluate and, if necessary, enforce compliance with these requirements.

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Chapter 7

Insider Reporting

This chapter is available in the print version of the OSC Bulletin, as well as as in Carswell's internet service SecuritiesScource (see www.carswell.com).

This chapter contains a weekly summary of insider transactions of Ontario reporting issuers in the System for Electronic Disclosure by Insiders (SEDI). The weekly summary contains insider transactions reported during the seven days ending Sunday at 11:59 pm.

To obtain Insider Reporting information, please visit the SEDI website (www.sedi.ca).

Chapter 8

Notice of Exempt Financings

REPORTS OF TRADES SUBMITTED ON FORMS 45-106F1 AND 45-501F1

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
06/11/2010	4	Aegis Investment Management (Golf) Inc. - Common Shares	251,847.50	503,695.00
04/29/2009	1	African Copper Plc - Common Shares	1.50	43.00
03/23/2010	1	Alexandria Minerals Corporation - Units	1,820,000.00	9,100,000.00
06/29/2010	4	Algonquin Power & Utilities Corp.. - Common Shares	0.00	1,180,180.00
04/19/2010	13	Alturas Minerals Corp. - Units	641,367.81	6,751,132.00
04/12/2010 to 04/16/2010	2	Amerix Precious Metals Corporation - Common Shares	100,800.00	1,680,000.00
03/23/2010	25	Amerix Precious Metals Corporation - Common Shares	445,200.00	7,420,000.00
04/29/2010	12	Arctic Star Diamond Corp. - Units	690,000.00	13,800,000.00
02/26/2010	51	Argex Silver Capital Inc. - Common Shares	961,000.00	3,844,000.00
04/28/2010	7	Argonaut Exploration Inc. - Flow-Through Units	1,000,000.00	416,665.00
03/31/2010	44	Ashburton Ventures Inc. - Units	578,800.00	9,646,667.00
04/20/2010	58	Atlanta Gold Inc. - Units	2,386,576.00	14,916,100.00
05/03/2010	4	Aura Silver Resources Inc. - Units	220,000.00	1,100,000.00
06/03/2010	5	Aura Silver Resources Inc. - Units	1,000,000.00	5,000,000.00
04/01/2010 to 04/21/2010	11	Auriga Gold Corp. - Common Shares	350,000.00	7,000,000.00
03/31/2010	3	Auspice Capital Advisors Ltd. - Trust Units	5,000.00	521.83
06/17/2010	1	Avante Security Corp. - Units	250,000.00	1,250,000.00
04/19/2010	2	Avista Capital Opportunities Fund II (Offshore) L.P. - Units	5,957,400.00	6,000,000.00
06/07/2010	2	AWG International Inc. - Common Shares	61,659.00	3,250.00
06/24/2010	1	Axela Inc. - Debentures	175,350.00	N/A
04/30/2010	44	BCGold Corp. - Units	1,213,420.00	N/A
06/18/2010	50	BE Resources Inc. - Units	3,000,000.00	10,000,000.00
06/21/2010 to 06/29/2010	27	Bear Lake Gold Ltd. - Units	3,763,121.68	19,605,609.00
05/19/2010	4	Beatrix Ventures Inc. - Flow-Through Units	157,249.95	2,096,666.00

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
04/22/2010	117	Biosign Technologies Inc. - Units	2,000,050.00	3,077,000.00
04/15/2010 to 04/22/2010	11	Bolero Resources Corp. - Units	451,250.00	1,289,286.00
01/06/2010 to 04/15/2010	34	Bontan Corporation Inc. - Units	3,812,943.00	N/A
04/19/2010	33	Boxxer Gold Corp. - Units	509,700.00	5,097,000.00
05/26/2009 to 06/01/2009	119	Bravo Venture Group Inc. - Common Shares	6,534,550.00	21,781,833.33
06/11/2010 to 06/16/2010	27	Cadillac Ventures Inc. - Units	4,608,893.26	N/A
05/04/2010	17	Caldera Resources Inc. - Units	390,150.00	10,000.00
04/30/2010	28	Caldera Resources Inc. - Units	369,900.00	10,000.00
06/24/2010	39	Canadian Horizons First Mortgage Investment Corporation - Preferred Shares	1,401,738.00	1,401,738.00
06/08/2010	14	Canadian International Minerals Inc. - Common Shares	186,400.00	300,000.00
06/25/2010 to 06/28/2010	19	Canadian Spirit Resources Inc. - Common Shares	4,200,000.00	3,000,000.00
06/24/2010	22	CareVest Blended Mortgage Investment Corporation - Preferred Shares	759,999.00	759,999.00
06/24/2010	20	CareVest Capital Blended Mortgage Investment Corp. - Preferred Shares	822,170.00	822,170.00
06/24/2010	9	CareVest Capital First Mortgage Investment Corp. - Preferred Shares	640,041.00	640,001.00
06/24/2010	15	CareVest Second Mortgage Investment Corporation - Preferred Shares	695,000.00	695,000.00
05/04/2009 to 05/13/2009	40	Carpathian Gold Inc. - Units	5,517,269.80	23,988,260.00
04/20/2010	34	Catch the Wind Ltd. - Units	5,152,000.00	2,576,000.00
04/30/2010	28	Caza Gold Corp. - Units	707,626.00	N/A
06/18/2010	8	CBOE Holdings Inc. - Common Shares	5,724,270.56	192,800.00
05/31/2010	7	Cenit Corporation - Units	90,000.00	900,000.00
05/31/2010	7	Cenit Corporation - Units	90,000.00	900,000.00
04/30/2010	46	Champion Minerals Inc. - Units	12,190,000.00	10,600,000.00
05/27/2010	8	Clearford Industries Inc. - Units	893,918.00	8,939,180.00
04/16/2010	44	Cline Mining Corporation - Common Shares	45,140,000.00	30,500,000.00
04/30/2010	10	Cogitore Resources Inc. - Flow-Through Shares	1,186,109.50	N/A
03/22/2010	132	Colombian Minerals Corporation - Units	3,895,000.00	4,100,000.00

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
03/22/2010	2	Commonwealth Bank of Australia ABN - Notes	50,752,475.94	1.00
06/15/2010 to 06/21/2010	88	Condor Petroleum Inc. - Receipts	18,938,659.00	18,938,659.00
04/15/2010	1	Condor Resources Inc. - Common Shares	197,500.00	500,000.00
06/05/2010	7	Connor Clark & Lunn 2010 Flow-Through Limited Partners - Units	200,000.00	8,000.00
06/15/2010	13	Copper Development Corporation - Common Shares	432,900.00	2,405,000.00
06/28/2010	33	Cornerstone Capital Resources Inc. - Units	1,200,000.00	10,000,000.00
05/28/2010	2	Critical Outcome Technologies Inc. - Units	39,501.00	112,860.00
06/14/2010	1	Crown Minerals Inc. - Units	25,000.00	250,000.00
06/08/2010	146	Cyberplex Inc. - Common Shares	33,373,135.40	60,678,428.00
04/19/2010	46	Cymat Technologies Ltd. - Units	2,784,737.98	11,558,378.00
04/12/2010	7	Dynamic Fuel Systems Inc. - Units	1,075,000.00	21,500,000.00
06/18/2010 to 06/23/2010	3	Ellerslie GT-SDM Limited Partnership - Loans	500,000.00	500,000.00
05/31/2010	65	Enertopia Corp. - Units	87,488.48	557,500.00
04/20/2010	1	European Investment Bank - Notes	49,810,168.00	1.00
04/09/2010	11	Everton Resources Inc. - Units	470,000.00	1,880,000.00
03/19/2010	34	Exall Energy Corporation - Units	3,253,153.15	5,004,851.00
04/30/2010	4	Excalibur Resources Ltd. - Flow-Through Units	574,999.00	1,999,999.00
06/08/2010	1	Fancamp Exploration Ltd. - Common Shares	10,000.00	25,000.00
05/07/2010	9	Fiber Optic Systems Technology Inc. - Debentures	365,000.00	N/A
06/28/2010	1	First Leaside Visions II Limited Partnership - Units	50,000.00	50,000.00
06/18/2010	33	Foran Mining Corporation - Common Shares	3,770,000.00	47,125,000.00
04/30/2010	1	Ford Auto Securitization Trust - Notes	25,227,000.00	1.00
04/29/2009	73	Formation Capital Corporation - Units	8,451,218.00	33,804,872.00
06/28/2010	2	Fuel Transfer Technologies Inc. - Preferred Shares	50,500.00	N/A
04/28/2010	8	Galahad Metals Inc. - Units	200,000.00	2,000,000.00
06/23/2010	30	Galena Capital Corp. - Units	361,250.00	7,225,000.00
04/19/2010	6	Gitennes Exploration Inc. - Units	122,500.00	1,750,000.00
05/21/2010	19	Globex Mining Enterprises Inc. - Common Shares	1,825,239.00	957,600.00
06/17/2010	7	Gold Canyon Resources Inc. - Units	2,000,000.00	6,250,000.00
04/23/2010	1	Gold Summit Corporation - Flow-Through Units	21,000.00	150,000.00

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
04/23/2010	9	Gold Summit Corporation - Units	211,087.50	1,688,700.00
05/05/2009	1	Golden Hope Mines Limited - Flow-Through Shares	300,000.00	4,285,714.00
03/15/2010	5	GT Solar International, Inc. - Common Shares	3,281,363.24	662,200.00
03/24/2010	1	HedgeForum Paulson Advantage Plus Ltd. - Units	505,800.00	N/A
04/27/2010	30	Hosted Data Transaction Solutions Inc. - Receipts	4,973,891.05	11,053,091.22
06/17/2010	61	Innovative Composites International Inc. - Units	1,932,087.00	6,440,290.00
04/23/2010	22	Intertainment Media Inc. - Units	2,319,731.81	14,494,955.00
03/24/2010	1	Ivory Offshore Flagship Fund Ltd. - Units	505,800.00	500.00
06/22/2010	44	Kallisto Energy Corp. - Special Warrants	2,896,900.88	3,511,395.00
04/22/2010	1	Knightscove Media Corp. - Debentures	331,145.54	N/A
06/16/2010	15	Knightscove Media Corp. - Units	622,606.30	6,266,063.00
04/28/2010	12	Knightscove Media Corp. - Common Shares	333,253.00	2,613,559.00
06/30/2010	4	Lions Gate Metals Inc. - Units	1,080,000.00	1,200,000.00
04/14/2010	25	Longford Energy Inc. - Units	2,497,599.80	8,325,333.00
03/24/2010 to 03/31/2010	4	Manicouagan Minerals Inc. - Units	1,000,000.00	20,000,000.00
04/28/2010	5	Maple Leaf Foods Inc. - Notes	75,000,000.00	2.00
03/29/2010	3	Massey Energy Company - Common Shares	30,963,554.25	610,000.00
06/14/2010	1	Mazorro Resources Inc. - Common Shares	0.00	600,000.00
04/22/2010	2	Mega Precious Metals Inc. - Common Shares	148,000.00	400,000.00
04/26/2010	15	MetalCorp Limited - Units	270,000.00	1,350,000.00
04/14/2010	2	Metals USA Holdings Corp. - Common Shares	9,413,145.00	450,000.00
04/05/2010 to 04/12/2010	2	Micromem Technologies Inc. - Units	220,000.00	45,455.00
05/25/2010	4	Micromem Technologies Inc. - Units	250,981.81	765,188.00
06/14/2010 to 06/22/2010	54	Midas Gold, Inc. - Common Shares	3,139,985.00	3,449,500.00
07/05/2010	4	Miocene Metals Limited - Units	195,050.00	1,300,332.00
04/20/2010	3	Murrary Energy Corporation - Notes	1,608,276.50	1.00
04/23/2010	1	National Bank of Canada - Notes	2,005,400.00	20,000.00
04/01/2010	1	Necado Venture Capital Corporation - Common Shares	209,100.00	N/A
06/24/2010	2	New Flyer Industries Inc. and New Flyer Industries Canada ULC - Units	6,865,320.00	686,532.00

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
06/08/2010	70	New Legend Group Limited - Common Shares	28,500.00	570,000.00
06/25/2010	6	New Sage Energy Corp. - Units	105,000.00	2,100,000.00
04/09/2010	2	NIF-T - Notes	360,888,572.39	2.00
04/28/2010	1	Northern Financial Corporation - Common Shares	120,354.30	364,710.00
03/30/2010	3	Northern Financial Corporation - Units	408,418.56	1,237,632.00
06/15/2010	1	NovaDx Ventures Corp. - Common Shares	600,000.00	2,000,000.00
06/25/2010	7	NovaDx Ventures Corp. - Common Shares	266,000.00	886,665.00
04/12/2010	41	NovaDx Ventures Corp. - Common Shares	1,685,000.00	8,500,000.00
06/11/2010	12	NovaDx Ventures Corp. - Warrants	1,488,000.00	1,488,000.00
05/27/2010	2	Olympus Pacific Minerals Inc. - Common Shares	3,567,567.52	16,216,216.00
04/23/2010	2	Ondine Biopharma Corporation - Units	76,200.00	1,270,000.00
06/11/2010	1	Orocan Resource Corp. - Common Shares	30,000.00	100,000.00
04/20/2010	18	PC Gold Inc. - Flow-Through Shares	9,100,000.00	5,000,000.00
04/27/2010	2	Peregrine Diamonds Ltd. - Common Shares	6,000,000.00	2,000,000.00
06/25/2010	1	Phonetime Inc. - Debentures	805,000.00	1.00
03/19/2010	33	Polar Star Mining Corporation - Common Shares	14,987,500.00	13,625,000.00
06/21/2010	2	Polo Ralph Lauren Corporation - Common Shares	6,195,750.00	9,000,000.00
06/28/2010	3	PPL Corporation - Common Shares	21,708,750.00	90,000,000.00
04/01/2010	1	Premier Gold Mines Limited - Common Shares	88,200.00	20,000.00
06/30/2010	3	Premium Brands Holdings Corporation - Common Shares	836,002.16	64,907.00
04/30/2010	2	Probe Mines Limited - Common Shares	99,000.00	300,000.00
05/31/2010	5	Probe Mines Limited - Units	1,000,000.00	2,222,221.00
04/28/2010	1	Probel Mines Limited - Common Shares	380,000.00	1,000,000.00
04/09/2010	41	Quorum Oil and Gas Technology Fund Limited - Preferred Shares	4,931,800.00	493,180.00
06/02/2010	1	Radiant Energy Corporation - Debentures	100,000.00	N/A
06/25/2010	95	Ranger Energy Ltd. - Units	2,500,000.00	12,500,000.00
04/12/2010	1	Razore Rock Resources Inc. - Units	3,350.00	67,000.00
06/10/2010	8	Resource Hunter Capital Corp. - Flow-Through Shares	280,000.00	N/A
06/21/2010	6	Reunion Gold Corporation - Common Shares	2,105,000.00	21,050,000.00
03/26/2010	5	Riverstone Resources Inc. - Units	9,654,000.00	16,090,000.00

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
05/14/2009	12	RJK Explorations Ltd. - Units	285,000.00	5,700,000.00
05/22/2009 to 12/07/2009	30	ROI Strategic Private Placement Fund - Units	2,375,512.00	22,968.60
06/28/2010	6	Royal Bank of Canada - Notes	2,150,000.00	2,150.00
04/12/2010	1	Rubicon Minerals Corporation - Common Shares	256,000.00	50,000.00
06/01/2010	27	Sabina Gold & Silver Corp. - Flow-Through Shares	15,000,000.00	N/A
06/01/2010	16	Sabina Gold & Silver Corp. - Flow-Through Shares	901,000.00	450,500.00
04/28/2010	14	Sacre-Coeur Minerals Ltd. - Units	1,224,000.00	1,750,000.00
06/01/2010	0	Sage Gold Inc. - Units	0.00	2,553,000.00
06/01/2010	3	Sage Gold Inc. - Units	561,660.00	2,553,000.00
05/11/2010	1	Samsung Life Insurance Co. Ltd. - Common Shares	19,698,779.00	200,000.00
04/20/2010	1	Sanfield Limited Partnership - Units	25,900,000.00	4,755,172.00
04/20/2010	1	Sanfield Limited Partnership - Units	25,900,000.00	4,755,172.00
05/04/2010	124	Scarlet Resources Ltd. - Receipts	6,638,250.00	13,276,500.00
05/12/2009	1	Schneider Power Inc. - Units	550,000.00	5,000,000.00
06/09/2010	63	Seafield Resources Ltd. - Units	2,951,055.00	16,863,171.00
01/01/2008 to 05/01/2008	4	Selective Asset Long Biased Equity Hedge Fund L.P. - Limited Liability Interest	182,590.66	1,349.00
06/15/2010	1	Slam Exploration Ltd. - Common Shares	58,500.00	N/A
04/14/2010 to 04/23/2010	13	Solomon Resources Limited - Common Shares	717,749.08	2,614,711.00
04/16/2010	17	Southeast Asia Mining Corp. - Common Shares	187,614.00	3,754,280.00
06/11/2010	9	Starfield Resources Inc. - Units	2,384,650.00	28,054,704.00
04/22/2010	10	Strategic Resource Acquisition Corporation - Debentures	490,000.00	470.00
04/29/2010	70	Sunward Resources Ltd. - Warrants	25,000,000.00	20,833,333.00
06/03/2010	31	Symax Lift (Holdings) Co. Ltd. - Units	596,779.00	2,387,119.00
06/30/2008 to 07/30/2008	36	Tera Global Innovation Fund - Units	2,824,456.98	11,199.50
06/15/2010	14	Terra Firma Capital Corporation - Common Shares	2,400,000.00	8,000,000.00
06/28/2010 to 07/02/2010	5	TerraX Minerals Inc. - Common Shares	19,050.00	90,000.00
04/19/2010	1	The Futura Loyalty Group Inc. - Common Shares	60,000.00	1,200,000.00
04/19/2010	5	The Futura Loyalty Group Inc. - Units	150,000.00	3,000,000.00

Transaction Date	# of Purchasers	Issuer/Security	Total Purchase Price ($)	# of Securities Distributed
03/23/2010	3	The Hartford Financial Services Group, Inc. - Common Shares	10,167,822.00	360,000.00
03/23/2010	2	The Hartford Financial Services Group, Inc. - Preferred Shares	610,680.00	24,000.00
06/01/2010	4	The Investment Partners Limited - Trust Units	102,985.63	N/A
04/29/2010	6	TTM Resources Inc. - Flow-Through Units	1,995,000.00	3,500,000.00
06/15/2010	1	Turbo Power Systems Inc. - Common Shares	9,750,000.00	1,083,333,334.00
04/27/2010	1	Underworld Resources Inc. - Common Shares	1,188,600.50	469,061.00
06/23/2010	1	U.S. CARL Trust 2010-A - Notes	776,018,161.82	1.00
06/28/2010	19	Valley of the Sun Fund - Trust Units	615,000.00	61,500.00
06/28/2010	19	Valley of the Sun Limited Partnership - Limited Partnership Units	615,000.00	61,500.00
03/31/2010	10	Verbina Resources Inc. - Units	450,000.00	4,000,000.00
03/31/2010	22	Verbina Resources Inc. - Units	500,000.00	5,000,000.00
05/15/2010	3	VG Gold Corp. - Flow-Through Units	250,000.00	3,125,000.00
04/15/2010	14	Virgin Metals Inc. - Common Shares	255,500.00	4,645,454.00
06/30/2010	5	VX Limited Partnership - Limited Partnership Units	870,000.00	1,451.00
04/01/2010	1	Wal-Mart Stores, Inc. - Notes	2,996,959.87	1.00
04/26/2010	19	WALLBRIDGE MINING COMPANY LIMITED - Flow-Through Shares	1,000,000.00	3,125,000.00
04/26/2010	20	WALLBRIDGE MINING COMPANY LIMITED - Units	3,325,000.00	4,000,000.00
06/25/2010	57	Walton Southern U.S. Land Investment Corporation - Common Shares	1,703,920.00	170,392.00
06/25/2010	7	Walton Southern U.S. Land LP - Units	1,864,941.09	179,149.00
06/24/2010 to 06/25/2010	3	Wimberly Fund - Trust Units	64,432.00	64,432.00
06/28/2010	1	Wimberly Fund - Trust Units	100,000.00	100,000.00
04/15/2010	1	Xtierra Inc. - Common Shares	700,000.00	3,500,000.00
04/01/2010	1	Xtierra Inc. - Units	500,000.00	2,500,000.00
04/09/2010	1	Yukon-Nevada Gold Corp. - Common Shares	31,484.00	131,182.00
06/10/2010	1	Yukon-Nevada Gold Corp. - Common Shares	31,386.00	149,457.00
05/19/2010	1	Yukon-Nevada Gold Corp. - Common Shares	30,348.00	126,450.00
03/05/2010 to 04/13/2010	22	Z-Gold Exploration Inc. - Units	489,000.00	2,445,000.00
04/13/2010	213	Zapata Energy Corporation - Common Shares	16,999,998.40	1,787,500.00

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Chapter 11

IPOs, New Issues and Secondary Financings

Issuer Name:
AltaGas Ltd.
Principal Regulator - Alberta
Type and Date:
Preliminary Base Shelf Prospectus dated July 7, 2010
NP 11-202 Receipt dated July 8, 2010
Offering Price and Description:
$1,000,000,000.00:
Common Shares
Preferred Shares
Debt Securities
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1605291

Issuer Name:
Ark StoneCastle Stable Income Class
Principal Regulator - Ontario
Type and Date:
Preliminary Simplified Prospectus dated July 8, 2010
NP 11-202 Receipt dated July 8, 2010
Offering Price and Description:
(Series A, F and I Shares)
Underwriter(s) or Distributor(s):
-
Promoter(s):
Redwood Asset Management Inc.
Project #1605173

Issuer Name:
Ithaca Energy Inc.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated July 13, 2010
NP 11-202 Receipt dated July 13, 2010
Offering Price and Description:
$80,920,000.00 -47,600,000 Common Shares Price: $1.70 per Common Share
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
Wellington West Capital Market Inc.
GMP Securities LP
RBC Dominion Securities Inc.
Fraser Mackenzie Limited
Acumen Capital Finance Partners Limited
FirstEnergy Capital Corp.
Mackie Research Capital Corporation
Macquarie Capital Markets Canada Ltd.
Thomas Weisel Partners Canada Inc.
Promoter(s):
-
Project #1606420

Issuer Name:
Lions Bay Capital Inc.
Principal Regulator - British Columbia
Type and Date:
Preliminary CPC Prospectus dated July 7, 2010
NP 11-202 Receipt dated July 8, 2010
Offering Price and Description:
$200,000.00 - 500,000 Common Shares PRICE: $0.40 per Common Share
Underwriter(s) or Distributor(s):
Haywood Securities Inc.
Promoter(s):
Richard Douglas Wilson
Project #1604933

Issuer Name:
LNG Energy Ltd.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated July 7, 2010
NP 11-202 Receipt dated July 7, 2010
Offering Price and Description:
$20,100,850.00 - 80,403,400 Common Shares to be issued upon exercise of 80,403,400 previously issued Special Warrants at a price of $0.25 per Special Warrant
Underwriter(s) or Distributor(s):
Paradigm Capital Inc.
GMP Securities L.P.
Promoter(s):
-
Project #1604889

Issuer Name:
Magma Energy Corp.
Principal Regulator - British Columbia
Type and Date:
Preliminary Short Form Prospectus dated July 12, 2010
NP 11-202 Receipt dated July 12, 2010
Offering Price and Description:
$ * - * Common Shares Price: $ * per Common Share
Underwriter(s) or Distributor(s):
Raymond James Ltd.
Promoter(s):
-
Project #1605912

Issuer Name:
Northland Power Preferred Equity Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated July 8, 2010
NP 11-202 Receipt dated July 12, 2010
Offering Price and Description:
$150,000,000.00 - 6,000,000 Cumulative Rate Reset Preferred Shares, Series 1 Price: $25.00 per Series 1 Share to yield initially 5.25 per annum
Underwriter(s) or Distributor(s):
CIBC World Markets Inc.
BMO Nesbitt Burns Inc.
National Bank Financial Inc.
Scotia Capital Inc.
RBC Dominion Securities Inc.
TD Securities Inc.
Macquarie Capital Markets Canada Ltd.
Canaccord Genuity Corp.
FirstEnergy Capital Corp.
Cormark Securities Inc.
Promoter(s):
-
Project #1605815

Issuer Name:
Pathway Mining 2010-II Flow-Through Limited Partnership
Principal Regulator - Ontario
Type and Date:
Preliminary Long Form Prospectus dated July 6, 2010
NP 11-202 Receipt dated July 7, 2010
Offering Price and Description:
$15,000,000.00 (Maximum Offering); $5,000,000.00 (Minimum Offering) A Maximum of 1,500,000 and a Minimum of 500,000 Limited Partnership Units Minimum Subscription: 250 Limited Partnership Units
Subscription Price: $10.00 per Limited Partnership Unit
Underwriter(s) or Distributor(s):
Wellington West Capital Inc.
HSBC Securities (Canada) Inc.
BMO Nesbitt Burns Inc.
Burgeonvest Bick Securities Limited
Mackie Research Capital Corporation
Raymond James Ltd.
Canaccord Genuity Corp.
Macquarie Capital Markets Canada Ltd.
Dundee Securities Corporation
M Partners Inc.
MGI Securities Inc.
Promoter(s):
Pathway Mining 2010-II Inc.
Project #1604706

Issuer Name:
RedWater Energy Corp.
Principal Regulator - Alberta
Type and Date:
Amended and Restated Preliminary Long Form dated July 5, 2010
NP 11-202 Receipt dated July 7, 2010
Offering Price and Description:
Maximum: $3,000,000.00 (up to * Units); Minimum: $1,000,000.00 (up to * Units)
Price: * per Unit and 6,489,296 Common Shares (Issuable upon the exercise of Special Warrants)
Underwriter(s) or Distributor(s):
Union Securities Ltd.
Promoter(s):
Gary Waters
Project #1526969

Issuer Name:
Rocky Mountain Dealerships Inc.
Principal Regulator - Alberta
Type and Date:
Preliminary Short Form Prospectus dated July 12, 2010
NP 11-202 Receipt dated July 12, 2010
Offering Price and Description:
$30,000,000.00 -7.00% Convertible Unsecured Subordinated Debentures Due September 30, 2017
Price: $1,000 per Debenture
Underwriter(s) or Distributor(s):
National Bank Financial Inc.
RBC Dominion Securities Inc.
BMO Nesbitt Burns Inc.
Canaccord Genuity Corp.
HSBC Securities (Canada) Inc.
Macquarie Capital Markets Canada Ltd.
Raymond James Ltd.
Promoter(s):
-
Project #1605971

Issuer Name:
Wilmington Capital Management Inc.
Principal Regulator - Ontario
Type and Date:
Preliminary Short Form Prospectus dated July 9, 2010
NP 11-202 Receipt dated July 9, 2010
Offering Price and Description:
Up to $10,000,000.00 - Up to 7,812,500 Class A Shares
Price: $1.28 per Class A Share
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1605505

Issuer Name:
All funds offer either Mutual Fund Units or Shares. Classic Units or Shares ("C"), F Class Units or Shares ("F"), F5 Class Units (F5"),
I Class Units ("I"), T5 Class Units ("T5") and T8 Class Units ("T8") also offered where indicated of:
BMO Guardian Floating Rate Income Fund (F, I)
BMO Guardian Global Bond Fund (F, I)
BMO Guardian Growth & Income Fund (C, F, T5, T8)
(formerly BMO Guardian Monthly High Income Fund)
BMO Guardian High Yield Bond Fund (F, I)
BMO Guardian Monthly Dividend Fund Ltd. (C, F)
BMO Guardian Monthly High Income Fund II (F, I, T5, T8)
BMO Guardian Canadian Large Cap Equity Fund (F, I, T5)
BMO Guardian Dividend Growth Fund (F, I, T5)
BMO Guardian Enterprise Fund (F, I, T5)
BMO Guardian Global Absolute Return Fund (F, I, T5)
BMO Guardian Global Equity Fund (F, I, T5)
BMO Guardian Global Small Cap Fund (F, I)
BMO Guardian Global Technology Fund (F, I)
BMO Guardian Asian Growth and Income Fund (F, I)
BMO Guardian Canadian Diversified Monthly Income Fund (F, F5, I, T5, T8)
BMO Guardian Global Diversified Fund (F, T5)
BMO Guardian Income Solution (F, T5, T8)
BMO Guardian Conservative Solution (F, T5, T8)
BMO Guardian Balanced Solution (F, T5, T8)
BMO Guardian Growth Solution (F, T5, T8)
BMO Guardian Aggressive Growth Solution (F, T5, T8)
Principal Regulator - Ontario
Type and Date:
Final Simplified Prospectuses dated June 28, 2010
NP 11-202 Receipt dated July 7, 2010
Offering Price and Description:
Mutual Fund Units/Shares, Class Units/Shares, F Class Units/Shares, F5 Class Units, I Class Units, T5 Class Units and T8 Class Units @ Net Asset Value
Underwriter(s) or Distributor(s):
Guardian Group of Funds Ltd.
Promoter(s):
-
Project #1592982

Issuer Name:
Brompton Split Banc Corp.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated July 7, 2010
NP 11-202 Receipt dated July 8, 2010
Offering Price and Description:
Warrants to Subscribe for up to 2,661,000 Units at a Subscription Price of $20.58, (each Unit consisting of one Class A Share and one Preferred Share)
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1580202

Issuer Name:
Canadian Imperial Bank of Commerce
Type and Date:
Final Base Shelf Prospectus dated July 9, 2010
Receipted on July 9, 2010
Offering Price and Description:
US$8,000,000,000.00 - Senior Debt Securities
Subordinated Debt Securities (subordinated indebtedness)
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1603793

Issuer Name:
Caterpillar Financial Services Limited
Principal Regulator - Ontario
Type and Date:
Final Base Shelf Prospectus dated July 9, 2010
NP 11-202 Receipt dated July 9, 2010
Offering Price and Description:
Cdn $1,500,000,000 .00 - Medium Term Notes (unsecured)
Unconditionally guaranteed as to principal, premium (if any), interest and certain other amounts by CATERPILLAR FINANCIAL SERVICES CORPORATION, a Delaware corporation
Underwriter(s) or Distributor(s):
RBC Dominion Securities Inc.
TD Securities Inc.
Promoter(s):
-
Project #1603163

Issuer Name:
Criterion Diversified Commodities Currency Hedged Fund
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated July 9, 2010
NP 11-202 Receipt dated July 9, 2010
Offering Price and Description:
Class A Units, Class B Units, Class D Units and Class F Units
Underwriter(s) or Distributor(s):
-
Promoter(s):
Criterion Investments Inc.
Project #1588549

Issuer Name:
Cyberplex Inc.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated July 7, 2010
NP 11-202 Receipt dated July 8, 2010
Offering Price and Description:
$33,373,135.40 - 60,678,428 Common Shares Price: $0.55 per Subscription Receipt
Underwriter(s) or Distributor(s):
GMP Securities L.P.
Paradigm Capital Inc.
M Partners Inc.
Scotia Capital Inc.
Promoter(s):
-
Project #1603159

Issuer Name:
Dalradian Resources Inc.
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated July 12, 2010
NP 11-202 Receipt dated July 12, 2010
Offering Price and Description:
$30,000,000.00 - 20,000,000 Units Price: $1.50 per Unit
Underwriter(s) or Distributor(s):
GMP Securities L.P.
Dundee Securities Corporation
Clarus Securities Inc.
Cormark Securities Inc.
Promoter(s):
Patrick F.N. Anderson
Project #1595801

Issuer Name:
Detour Gold Corporation
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated July 12, 2010
NP 11-202 Receipt dated July 12, 2010
Offering Price and Description:
$252,000,000.00 - 10,500,000 Common Shares $24.00 per Common Share
Underwriter(s) or Distributor(s):
BMO Nesbitt Burns Inc.
TD Securities Inc.
RBC Dominion Securities Inc.
Canaccord Genuity Corp.
Macquarie Capital Markets Canada Ltd.
Raymond James Ltd.
CIBC World Markets Inc.
Haywood Securities Inc.
UBS Securities Canada Inc.
Barclays Capital Canada Inc.
Fraser Mackenzie Limited
Laurentian Bank Securities Inc.
NCP Northland Capital Partners Inc.
Paradigm Capital Inc.
Promoter(s):
-
Project #1603975

Issuer Name:
First Asset DCD Portfolio Fund
Principal Regulator - Ontario
Type and Date:
Final Long Form Non-Offering Prospectus dated July 12, 2010
NP 11-202 Receipt dated July 13, 2010
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
First Asset Investment Management Inc.
Project #1603054

Issuer Name:
Horizons AlphaPro S&P/TSX 60 Equal Weight Index ETF
Horizons AlphaPro Global Dividend ETF
Horizons AlphaPro Balanced ETF
Horizons AlphaPro Corporate Bond ETF
Principal Regulator - Ontario
Type and Date:
Final Long Form Prospectus dated July 9, 2010
NP 11-202 Receipt dated July 12, 2010
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
AlphaPro Management Inc.
Project #1594976/1510928

Issuer Name:
iShares S&P/TSX Income Trust Index Fund
Principal Regulator - Ontario
Type and Date:
Amendment #1 dated June 30, 2010 to the Long Form Prospectus dated April 14, 2010
NP 11-202 Receipt dated July 7, 2010
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
Blackrock Asset Management Canada Limited
Promoter(s):
-
Project #1546193

Issuer Name:
Life & Banc Split Corp.
Principal Regulator - Ontario
Type and Date:
Final Short Form Prospectus dated July 7, 2010
NP 11-202 Receipt dated July 8, 2010
Offering Price and Description:
Warrants to Subscribe for up to 5,030,000 Units at a Subscription Price of $,17.66, each Unit consisting of one Class A Share and one Preferred Share
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1580222

Issuer Name:
Mala Noche Resources Corp.
Principal Regulator - British Columbia
Type and Date:
Final Short Form Prospectus dated July 9, 2010
NP 11-202 Receipt dated July 9, 2010
Offering Price and Description:
$300,000,000.00 - 50,000,000 Subscription Receipts - Price $6.00 per Subscription Receipt
Underwriter(s) or Distributor(s):
Canaccord Genuity Corp.
GMP SECURITIES L.P.
BMO NESBITT BURNS INC.
CIBC WORLD MARKETS INC.
SCOTIA CAPITAL INC.
TD SECURITIES INC.
MERRILL LYNCH CANADA INC.
CORMARK SECURITIES INC
DUNDEE SECURITIES CORPORATION
MACKIE RESEARCH CAPITAL CORPORATION
NATIONAL BANK FINANCIAL INC.
PARADIGM CAPITAL INC.
RBC DOMINION SECURITIES INC.
Promoter(s):
-
Project #1594144

Issuer Name:
Marquis Institutional Global Equity Portfolio
Principal Regulator - Ontario
Type and Date:
Amendment #2 dated July 2, 2010 to the Simplified Prospectus and Annual Information Form dated November 23, 2009
NP 11-202 Receipt dated July 9, 2010
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
GOODMAN & COMPANY, INVESTMENT COUNSEL LTD.
Promoter(s):
GOODMAN & COMPANY, INVESTMENT COUNSEL LTD.
Project #1486024

Issuer Name:
Medicago Inc.
Principal Regulator - Quebec
Type and Date:
Final Base Shelf Prospectus dated July 7, 2010
NP 11-202 Receipt dated July 7, 2010
Offering Price and Description:
Cdn$35,000,000.00 of:
Common Shares
Preferred Shares
Warrants
Units
Subscription Receipts
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1601040

Issuer Name:
RBC Canadian T Bill Fund (Series A, Series D, Series I and Series O units)
RBC Canadian Money Market Fund (Series A, Advisor Series, Series D, Series F, Series I and Series O units)
RBC Premium Money Market Fund (Series A, Series F and Series I units)
RBC $U.S. Money Market Fund (Series A, Series D, Series I and Series O units)
RBC Premium $U.S. Money Market Fund (Series A, Series F and Series I units)
RBC Canadian Short-Term Income Fund (Series A, Advisor Series, Series D, Series F, Series I and Series O units)
RBC Bond Fund (Series A, Advisor Series, Series D, Series F, Series I and Series O units)
RBC Advisor Canadian Bond Fund (Advisor Series, Series F and Series O units)
RBC Canadian Bond Index Fund (Series A Units)
RBC Global Bond Fund (Series A, Advisor Series, Series D, Series F, Series I and Series O units)
RBC Global Corporate Bond Fund (Series A, Advisor Series, Series D, Series F, Series I and Series O units)
RBC Global High Yield Fund (Series A, Advisor Series, Series D, Series F, Series I and Series O units)
RBC Emerging Markets Bond Fund (Series A, Advisor Series, Series D, Series F and Series O units)
RBC Managed Payout Solution (Series A, Advisor Series and Series F units)
RBC Managed Payout Solution – Enhanced (Series A, Advisor Series and Series F units)
RBC Managed Payout Solution – Enhanced Plus (Series A, Advisor Series, Series D, Series F and Series O units)
RBC Monthly Income Fund (Series A, Advisor Series, Series D, Series F and Series O units)
RBC $U.S. Income Fund (Series A, Advisor Series, Series D and Series F units)
RBC Balanced Fund (Series A, Advisor Series, Series T, Series D, Series F, Series I and Series O units)
RBC Balanced Growth Fund (Series A, Advisor Series, Series T, Series D, Series F and Series O units)
RBC Jantzi Balanced Fund (Series A, Advisor Series, Series D, Series F and Series I units)
RBC Phillips, Hager & North Monthly Income Fund (Series A Units)
RBC Select Very Conservative Portfolio (Series A, Advisor Series, Series F and Series O units)
RBC Select Conservative Portfolio (Series A, Advisor Series, Series F and Series O units)
RBC Select Balanced Portfolio (Series A, Advisor Series, Series F and Series O units)
RBC Select Growth Portfolio (Series A, Advisor Series, Series F and Series O units)
RBC Select Aggressive Growth Portfolio (Series A, Advisor Series, Series F and Series O units)

RBC Select Choices Conservative Portfolio (Series A and Advisor Series units)
RBC Select Choices Balanced Portfolio (Series A and Advisor Series units)
RBC Select Choices Growth Portfolio (Series A and Advisor Series units)
RBC Select Choices Aggressive Growth Portfolio (Series A and Advisor Series units)
RBC Target 2015 Education Fund (Series A Units)
RBC Target 2020 Education Fund (Series A Units)
RBC Target 2025 Education Fund (Series A Units)
RBC Canadian Dividend Fund (Series A, Advisor Series, Series T, Series D, Series F, Series I and Series O units)
RBC Canadian Equity Fund (Series A, Advisor Series, Series D, Series F, Series I and Series O units)
RBC Jantzi Canadian Equity Fund (Series A, Advisor Series, Series D, Series F and Series I units)
RBC Canadian Index Fund (Series A Units)
RBC O'Shaughnessy Canadian Equity Fund (Series A, Advisor Series, Series D and Series F units)
RBC O'Shaughnessy All-Canadian Equity Fund (Series A, Advisor Series, Series D, Series F and Series O units)
RBC Canadian Equity Income Fund (Series A, Advisor Series, Series D, Series F and Series O units)
RBC North American Dividend Fund (Series A, Advisor Series, Series T, Series D, Series F and Series O units)
RBC North American Value Fund (Series A, Advisor Series, Series D, Series F and Series O units)
RBC North American Growth Fund (Series A, Advisor Series, Series D, Series F, Series I and Series O units)
RBC U.S. Equity Fund (Series A, Advisor Series, Series D, Series F, Series I and Series O units)
RBC U.S. Equity Currency Neutral Fund (Series A, Advisor Series, Series D, Series F and Series O units)
RBC U.S. Index Fund (Series A Units)
RBC U.S. Index Currency Neutral Fund (Series A Units)
RBC O'Shaughnessy U.S. Value Fund (Series A, Advisor Series, Series D, Series F, Series I and Series O units)
RBC U.S. Mid-Cap Equity Fund (Series A, Advisor Series, Series D, Series F, Series I and Series O units)
RBC U.S. Mid-Cap Equity Currency Neutral Fund (Series A, Advisor Series, Series D, Series F and Series O units)
RBC O'Shaughnessy U.S. Growth Fund (Series A, Series D, Series F and Series O units)
RBC O'Shaughnessy U.S. Growth Fund II (Series A, Advisor Series, Series D and Series F units)
RBC Life Science and Technology Fund (Series A, Series D and Series F units)
RBC International Equity Fund (Series A, Advisor Series, Series D, Series F and Series O units)
RBC International Index Currency Neutral Fund (Series A Units)
RBC O'Shaughnessy International Equity Fund (Series A, Advisor Series, Series D, Series F, Series I and Series O units)
RBC European Equity Fund (Series A, Advisor Series, Series D, Series F and Series O units)
RBC Asian Equity Fund (Series A, Advisor Series, Series D, Series F and Series O units)
RBC Emerging Markets Fund (Series A, Advisor Series, Series D, Series F and Series O units)
RBC Global Dividend Growth Fund (Series A, Advisor Series, Series T, Series D, Series F, Series I and Series O units)
RBC Jantzi Global Equity Fund (Series A, Advisor Series, Series D, Series F and Series I units)
RBC O'Shaughnessy Global Equity Fund (Series A, Advisor Series, Series D, Series F, Series I and Series O units)
RBC Global Energy Fund (Series A, Advisor Series, Series D and Series F units)
RBC Global Precious Metals Fund (Series A, Advisor Series, Series D, Series F and Series I units)
RBC Global Consumer and Financials Fund (Series A, Advisor Series, Series D and Series F units)
RBC Global Health Sciences Fund (Series A, Advisor Series, Series D and Series F units)
RBC Global Resources Fund (Series A, Advisor Series, Series D and Series F units)
RBC Global Technology Fund (Series A, Advisor Series, Series D and Series F units)
Principal Regulator - Ontario

Type and Date:
Final Simplified Prospectuses dated July 2, 2010
NP 11-202 Receipt dated July 8, 2010

Offering Price and Description:
Series A, Advisor Series, Series T, Series D, Series F, Series I, and Series O units

Underwriter(s) or Distributor(s):
Royal Mutual Funds Inc.
RBC Direct Investing Inc.
Royal Mutual Funds Inc.
RBC Asset Management Inc.
RBC Dominion Securities Inc.
Royal Mutual Funds Inc./RBC Direct Investing Inc.
Royal Mutual Funds Inc./RBD Direct Investing Inc.

Promoter(s):
RBC Asset Management Inc.

Project #1586517

Issuer Name:
Stone & Co. Dividend Growth Class Canada
Stone & Co. Europlus Dividend Growth Fund
Stone & Co. Flagship Global Growth Fund
Stone & Co. Flagship Growth & Income Fund Canada
Stone & Co. Flagship Money Market Fund Canada
Stone & Co. Flagship Stock Fund Canada
Stone & Co. Growth Industries Fund
Stone & Co. Resource Plus Class
Principal Regulator - Ontario
Type and Date:
Amendment #2 dated July 5, 2010 to Final Simplified Prospectus and Annual Information Form (NI 81-101) dated August 18, 2009
NP 11-202 Receipt dated July 12, 2010
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1446384

Issuer Name:
The Toronto-Dominion Bank
Type and Date:
Final Base Shelf Prospectus dated July 7, 2010
Receipted on July 8, 2010
Offering Price and Description:
-
Underwriter(s) or Distributor(s):
-
Promoter(s):
-
Project #1597961

Chapter 12

Registrations

12.1.1 Registrants

Type	Company	Category of Registration	Effective Date
Name Change	From: Schroder Fund Advisors Inc. To: Schroder Fund Advisors LLC	Exempt Market Dealer	June 30, 2010
New Registration	Oxbridge Gestion Privée De Patrimoine (Canada) Inc. / Oxbridge Private Wealth Management (Canada) Inc.	Exempt Market Dealer	July 6, 2010
Change in Registration Category	R.N. Croft Financial Group Inc.	From: Portfolio Manager To: Portfolio Manager and Investment Fund Manager	July 9, 2010
Change in Registration Category	Acorn Global Investments Inc.	From: Exempt Market Dealer, Portfolio Manager, and Commodity Trading Manager To: Exempt Market Dealer, Portfolio Manager, Commodity Trading Manager, and Investment Fund Manager	July 9, 2010
Change in Registration Category	Bennington Investment Management Inc.	From: Exempt Market Dealer, Portfolio Manager, Commodity Trading Counsel, and Commodity Trading Manager To: Exempt Market Dealer, Portfolio Manager, Commodity Trading Counsel, Commodity Trading Manager, and Investment Fund Manager	July 9, 2010
Consent to Suspension (s. 30 of the Act – Surrender of Registration)	Stone Road Investment Management Inc.	Portfolio Manager	July 9, 2010

Type	Company	Category of Registration	Effective Date
New Registration	18 Asset Management Inc.	Portfolio Manager	July 12, 2010

Chapter 13

SROs, Marketplaces and Clearing Agencies

13.1 SROs

13.1.1 MFDA Rule 2.2 (Client Accounts)

MFDA Rule 2.2 (Client Accounts)

~~**2.2 Client Accounts**~~
2.2 CLIENT ACCOUNTS

2.2.1 **"Know-Your-Client".** Each Member and Approved Person shall use due diligence:

(a) to learn the essential facts relative to each client and to each order or account accepted;

(b) to ensure that the acceptance of any order for any account is within the bounds of good business practice; ~~and~~

(c) to ensure that each order accepted or recommendation made for any account of a client is suitable for the client ~~and in keeping with~~based on the essential facts relative to the client's ~~investment objectives; and~~ and any investments within the account;

(d) to ensure that, notwithstanding the provisions of paragraph (c), where a transaction proposed by a client is not suitable for the client ~~and in keeping with the client's investment objectives~~based on the essential facts relative to the client and the investments in the account, the Member or Approved Person has so advised the client before execution thereof~~.~~ and the Member or Approved Person has maintained evidence of such advice;

(e) to ensure that the suitability of the investments within each client's account is assessed:

(i) whenever the client transfers assets into an account at the Member;

(ii) whenever the Member or Approved Person becomes aware of a material change in client information, as defined in Rule 2.2.4; or

(iii) by the Approved Person where there has been a change in the Approved Person responsible for the client's account at the Member; and

(f) to ensure that, where investments in a client's account are determined to be unsuitable, the Member or Approved Person so advises the client and makes recommendations to address any inconsistencies between investments in the account and the essential facts relative to the client and the Member or Approved Person maintains evidence of such advice and recommendations.

2.2.2 **New Accounts.**

(a) Each new account for a client must be opened by the Member within a reasonable time of the client's instruction to do so. Account numbers must not be assigned unless they are accompanied by the proper name and address for the client.

(b) ~~2.2.2 **New Account Application Form.**~~ A New Account Application Form must be completed for each new account of a client. If the New Account Application Form does not include know-your-client information, this must be documented on a separate Know-Your-Client form. Such form or forms shall be duly completed to conform with the requirements of Rule 2.2.1 and shall be signed by the client and dated. ~~Account numbers must not be assigned unless they are accompanied by the proper name and address for the client and such name and address must be supported by the New Account Application Form.~~

2.2.3 **New Account Approval**. Each Member shall designate a trading partner, director or officer or, in the case of a branch office, a branch manager reporting directly to the designated partner, director or officer, who shall be responsible for approval of the opening of new accounts and the supervision of account activity. The designated person shall ~~prior to~~

~~or promptly~~, no later than one business day after the ~~completion of any~~ initial transaction ~~specifically~~date, approve the opening of such account ~~in writing~~ and a record of such approval shall be maintained in accordance with Rule 5.

2.2.4 **Updating ~~Know-Your~~-Client Information**

(a) **Definition.** In this Rule, "**material change in client information**" means any information that results in changes to the stated risk tolerance, time horizon or investment objectives of the client or would have a significant impact on the net worth or income of the client.

(b) ~~(a)~~ The ~~Form~~form documenting know-your-client information must be updated to include any material change in client information whenever a Member or Approved Person ~~or other employee or agent~~ becomes aware of such change including pursuant to Rule 2.2.4(~~b~~e).

(c) Subject to paragraph (d), the Member must maintain evidence of client instructions regarding any material changes in client information and all such changes must be approved by the individual designated in accordance with Rule 2.2.3 as responsible for the approval of the opening of new accounts.

(d) A client signature or other internal controls sufficient to authenticate the client's identity and verify the client's authorization must be used to evidence any change in client name, client address or client banking information.

(e) ~~(b)~~ Without reducing the responsibility of Members in Rule 2.2.1, all Members must at least annually, in writing, request each client to notify the Member if ~~the know-your-~~there has been any material change in client information previously provided to the Member or the client's circumstances have materially changed. The date of such request and the date upon which any such client information is received and recorded or amended must be retained.

2.2.5 **Relationship Disclosure.** For each new account opened, the Member shall provide written disclosure to the client:

(a) describing the nature of the advisory relationship;

(b) describing the products and services offered by the Member;

(c) ~~Written authorization must be obtained from the client for any change in a client name.~~describing the Member's procedures regarding the receipt and handling of client cash and cheques. In the case of a Level 2 dealer, the disclosure must include an explanation that all client cheques shall be payable to the issuer or carrying dealer, as applicable;

(d) describing the Member's obligation to ensure that each order accepted or recommendation made for any account of a client is suitable for the client in accordance with Rule 2.2.1 and advising when the Member will assess the suitability of the investments in the client's account;

(e) defining the various terms with respect to the know-your-client information collected by the Member and describing how this information will be used in assessing investments in the account;

(f) describing the content and frequency of reporting for the account; and

(g) describing the nature of the compensation that may be paid to the Member and referring the client to other sources for more specific information.

MFDA Rule 2.8.3 (Rates of Return)

2.8.3 ~~2.8.3~~ **Rates of Return**

(a) In addition to complying with the requirements in Rule 2.8.2, any client communication containing or referring to a rate of return regarding a specific account or group of accounts must ~~be based on an annualized rate of return and explain the methodology used to calculate such rate of return in sufficient detail and clarity to reasonably permit the client to understand the basis for the rate of return.~~;

(i) disclose an annualized rate of return calculated in accordance with standard industry practices; and

(ii) explain the methodology used to calculate such rate of return in sufficient detail and clarity to reasonably permit the client to understand the basis for the rate of return.

(b) In addition to complying with the requirements in Rule 2.8.2 and Rule 2.8.3(a), any client communication containing or referring to a rate of return regarding a specific account or group of accounts that is provided by an Approved Person must be approved and supervised by the Member.

(c) ~~(b)~~ Notwithstanding the provisions of ~~paragraph~~paragraphs (a) and (b), where an account has been open for less than 12 months, the rate of return shown must be the total rate of return since account opening.

13.1.2 MFDA Policy No. 2 – Minimum Standards for Account Supervision

MFDA POLICY NO. 2

MINIMUM STANDARDS FOR ACCOUNT SUPERVISION

Introduction

This Policy establishes minimum industry standards for account supervision. These standards represent the minimum requirements necessary to ensure that a Member has procedures in place to properly supervise account activity. This Policy does not:

(a) ~~(a)~~ relieve Members from complying with specific MFDA By-laws, Rules and Policies and securities legislation applicable to particular trades or accounts; or

(b) ~~(b)~~ preclude Members from establishing a higher standard of supervision, and in certain situations a higher standard may be necessary to ensure proper supervision.

To ensure that a Member has met all applicable standards, Members are required to know and comply with MFDA By-laws, Rules and Policies as well as applicable securities legislation which may apply in any given circumstance. The following principles have been used to develop these minimum standards:

(a) ~~(a)~~ The term "review" in this Policy has been used to mean a preliminary screening designed to detect items for further investigation or an examination of unusual trading activity or both. It does not mean that every trade must be reviewed. The reviewer must use reasonable judgement in selecting the items for further investigation.

(b) ~~(b)~~ It has been assumed that Members have or will provide the necessary resources and qualified supervisors to meet these standards.

(c) ~~(c)~~ The initial compliance with the know-your-client rule and suitability of investment requirements is primarily the responsibility of the registered salesperson. The supervisory standards in this Policy relating to know-your-client and suitability are intended to provide supervisors with a checklist against which to monitor the handling of these responsibilities by the registered salesperson.

Members that seek to adopt policies and procedures relating to branch and head office supervision or the allocation of supervisory activities that differ from those contained in this Policy must demonstrate that all of the principles and objectives of the minimum standards set out in this Policy have been properly satisfied. Further, any such alternative policies and procedures must adequately address the risk management issues of the Member and must be pre-approved by MFDA staff before implementation.

I. ESTABLISHING AND MAINTAINING PROCEDURES

~~**I. Establishing and Maintaining Procedures**~~

Effective self-regulation begins with the Member establishing and maintaining a supervisory environment which both fosters the business objectives of the Member and maintains the self-regulatory process. To that end a Member must establish and maintain procedures which are supervised by qualified individuals. A major aspect of self-regulation is the ongoing education of staff in all areas of sales compliance.

Establishing Procedures

1. Members must appoint designated individuals who have the necessary knowledge of industry regulations and Member policies to properly perform the duties.

2. Written policies must be established to document supervision requirements.

3. Written instructions must be supplied to all supervisors and alternates to advise them on what is expected of them.

4. All policies established or amended should have senior management approval.

Maintaining Procedures

1. Evidence of supervisory reviews must be maintained. Evidence of the review, such as inquiries made, replies received, date of completion etc. must be maintained for seven years and on-site for one year.

2. An on-going review of sales compliance procedures and practices must be undertaken both at head office and at branch offices.

Delegation of Procedures

1. Tasks and procedures may be delegated to a knowledgeable and qualified individual but not responsibility.

2. The Member must advise supervisors of those specific functions which cannot be delegated, such as approval of new accounts.

3. The supervisor delegating the task must ensure that these tasks are being performed adequately and that exceptions are brought to his/her attention.

4. Those who are delegated tasks must have the qualifications and required proficiency to perform ~~them~~the tasks and should be advised in writing of their duties. The general expectation is that tasks be delegated only to individuals with the same proficiency as the delegating supervisor. In certain limited circumstances, it may be acceptable to delegate specialized tasks to an individual that has not satisfied the proficiency requirements provided that the individual has equivalent training, education or experience related to the function being performed. The Member must consider the responsibilities and functions to be performed in relation to the delegated tasks and make a determination as to appropriate equivalent qualifications and proficiency. The Member must be able to demonstrate to MFDA staff that the equivalency standard has been met. Tasks related to trade supervision can only be delegated to individuals that possess the proficiency of a branch manager or compliance officer.

Education

1. The Member's current policies and procedures manual must be made available to all sales and supervisory personnel.

2. Introductory training and continuing education should be provided for all registered salespersons. For training and enhanced supervisory requirements for newly registered salespersons, please refer to the MFDA Policy No.1 entitled "New ~~Salesperson~~Registrant Training and Supervision Policy."

3. ~~Information~~Relevant information contained in compliance-related ~~bulletins from the MFDA and~~MFDA Member Regulation Notices and Bulletins and compliance-related notices from other applicable regulatory bodies must be communicated to ~~all~~ registered salespersons and ~~relevant~~ employees. Procedures relating to the method and timing of distribution of compliance-related ~~bulletins~~information must be clearly detailed in the Member's written procedures. Members should ensure that they maintain evidence of compliance with such procedures.

II. OPENING NEW ACCOUNTS

~~II. Opening New Accounts~~

To comply with the "Know-Your-Client" and suitability requirements set out in ~~Section 2 of the~~ MFDA ~~Rules,~~Rule 2, each Member must establish procedures to maintain accurate and complete information on each client. The first step towards compliance with this rule is completing proper documentation when opening new accounts. Accurate completion of the documentation when opening a new account allows both the registered salesperson and the supervisory staff to conduct the necessary reviews to ensure that recommendations made for any account are appropriate for the client and in keeping with investment objectives. Maintaining accurate and current documentation will allow the registered salesperson and the supervisory staff to ensure that all recommendations made for any account are and continue to be appropriate for a client's investment objectives.

Documentation of Client Account Information

1. A New Account Application Form ("NAAF") must be completed for each new account. ~~A sample NAAF is attached as Schedule "I". If the NAAF does not include know-your-client ("KYC") information, this must be documented on a separate KYC form. Such form or forms shall be duly completed to conform with the KYC rule.~~

~~2. The new account or KYC information must be approved in writing by the branch manager or the designated director, partner or officer, prior to the initial trade or promptly thereafter (in any event, by no later than one business day after the date of the initial trade).~~

2. ~~3.~~ A complete set of documentation relating to each client's account must be maintained by the Member. ~~The registered salesperson must also maintain a copy of the NAAF~~Approved Persons must have access to information and documentation relating to the client's account as required to service the account. In the case of a Level 1 Introducing Dealer and corresponding Carrying Dealer, both Members must maintain a copy of each client's NAAF.

3. For each account of a client that is a natural person, the Member must obtain information sufficient to allow for the operation of the account and sufficient to determine the essential facts relative to each client, which would include, at a minimum, the following information:

   (a) name;

   (b) type of account;

   (c) residential address and contact information;

   (d) date of birth;

   (e) employment information;

   (f) number of dependants;

   (g) other persons with trading authorization on the account;

   (h) other persons with a financial interest in the account;

   (i) investment knowledge;

   (j) risk tolerance;

   (k) investment objectives;

   (l) time horizon;

   (m) income;

   (n) net worth;

   (o) for non-registered leveraged accounts, details of the net worth calculation, specifying liquid assets plus any other additional assets less total liabilities;

   (p) information required by other laws and regulations applicable to the Member's business as amended from time to time including information required for relevant tax reporting; information required for compliance with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations* and any authorization necessary to provide information to the MFDA under applicable privacy legislation.

   The preceding provides a list of minimum requirements. The Member may require clients to provide any additional information that it considers relevant. In the case of accounts jointly owned by two or more persons, information required under subparagraphs (a), (c), (d), (e), (f) and (i) must be collected with respect to each owner. Income and net worth may be collected for each owner or on a combined basis as long as it is clear which method has been used.

4. For each account of a client that is a corporation, trust or other type of legal entity, the Member must obtain information sufficient to allow for the operation of the account and sufficient to determine the essential facts relative to the client, which would include, at a minimum, the following information:

   (a) legal name;

   (b) head office address and contact information;

   (c) type of legal entity (i.e. corporation, trust, etc.);

(d) form and details regarding the organization of the legal entity (i.e. articles of incorporation, trust deed, or other constating documents);

(e) nature of business;

(f) persons authorized to provide instructions on the account and details of any restrictions on their authority;

(g) investment knowledge of the persons to provide instructions on the account;

(h) risk tolerance;

(i) investment objectives;

(j) time horizon;

(k) income;

(l) net worth;

(m) information required by other laws and regulations applicable to the Member's business as amended from time to time including information required for relevant tax reporting; information required for compliance with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Regulations* and any authorization necessary to provide information to the MFDA under applicable privacy legislation.

The preceding provides a list of minimum requirements. The Member may require clients to provide any additional information that it considers relevant.

5. For supervisory purposes, registered accounts, leveraged accounts and accounts of any registered salesperson's family member operating under a limited trading authorization or operating under a power of attorney in favour of the registered salesperson must be readily identifiable.

6. If the NAAF does not include KYC information, this must be documented on a separate KYC form(s). Such form(s) must be signed by the client and dated. A copy of the completed NAAF and KYC form, if separate from the NAAF, must be provided to the client.

7. The Member must have internal controls and policies and procedures in place with respect to the entry of KYC information on their back office systems. Such controls should provide an effective means to detect and prevent inconsistencies between the KYC information used for account supervision with that provided by the client.

8. Except as noted in the following paragraph, NAAF's must be prepared and completed for all new clients prior to the opening of new client accounts. The new account or KYC information must be approved by the individual designated as responsible for the opening of new accounts under Rule 2.2.3 no later than one business day after the initial transaction date. Records of all such approvals must be maintained in accordance with Rule 5.

9. Notwithstanding the preceding paragraph, NAAF's for clients of a registered salesperson transferring to the Member must be prepared and completed within a reasonable time (but in any event no later than the time of the first trade). The new accounts or KYC information for clients of the transferring salesperson must be approved by the individual designated as responsible for the opening of new accounts under Rule 2.2.3 no later than one business day after the date that the NAAF is completed. Records of all such approvals must be maintained in accordance with Rule 5.

10. In the event that a NAAF is not completed prior to or within a reasonable time after opening an account, as required by this Policy, the Member must have policies and procedures to restrict transactions on such accounts to liquidating trades until a fully completed NAAF is received.

Changes to Know-Your-Client Information

1. The Approved Person or Member must update the KYC information whenever they become aware of a material change in client information as defined in Rule 2.2.4(a).

2. On account opening, the Member should advise the client to promptly notify the Member of any material changes in the client information, as defined in Rule 2.2.4(a), previously provided to the Member and provide examples of the types of information that should be regularly updated.

3. ~~4. The registered salesperson or Member must update the form documenting KYC information whenever they become aware of a material change in client information. Notwithstanding the foregoing~~In accordance with Rule 2.2.4(e), Members must also, on an annual basis, request in writing that clients notify them if ~~the KYC~~there has been any material change in client information, as defined in Rule 2.2.4(a), previously provided, or if the client's circumstances~~,~~ have materially changed.

4. Access to amend KYC information must be controlled and instructions to make any such amendments must be properly documented.

5. A client signature, which may include an electronic signature, or other internal controls sufficient to authenticate the client's identity and verify the client's authorization must be used to evidence any change in client name, client address or client banking information.

6. Material changes to client information, as defined in Rule 2.2.4(a), may be evidenced by a client signature, which may include an electronic signature or, alternatively, such changes may be evidenced by maintaining notes in the client file detailing the client's instructions to change the information and verified by providing written confirmation to the client with details of the instructions and providing an opportunity for the client to make corrections to any changes that have been made.

7. All material changes in client information, as defined in Rule 2.2.4(a), must be approved by the individual designated as responsible for the opening of new accounts under Rule 2.2.3 no later than one business day after the date on which notice of the change in information is received from the client. When approving material changes, branch managers should be reviewing the previous KYC information to assess whether the change appears reasonable. Branch managers should be aware of situations where material changes may have been made to justify unsuitable trades or leveraging. For example, branch managers should investigate further material changes that accompany trades in higher risk investments or leveraging or changes made within a short period of time (for example 6 months). Records of all such approvals must be maintained in accordance with Rule 5.

8. Where any material changes have been made to the information contained in the NAAF or KYC form(s), the client must promptly be provided with a document or documents specifying the current risk tolerance, investment objectives, time horizon, income and net worth that applies to the client's account.

9. ~~5.~~ The last date upon which the ~~form documenting~~ KYC information has been updated or confirmed by the client must be indicated in the client's file and on the Member's back office system.

~~6. When there is a change of registered salesperson, the new registered salesperson must verify the information on the NAAF and any separate KYC form to ensure it is current and record the date of such verification on the form or forms.~~

~~7. Account numbers must not be assigned unless they are accompanied by the proper name and address of the client and such name and address must be supported by a properly completed NAAF no later than the following day.~~

~~8. New NAAF's should be prepared and completed for all new clients, including existing clients of a registered salesperson transferring to the Member.~~

Pending/Supporting Documents

1. Members must have procedures in place to ensure supporting documents are received within a reasonable period of time of opening the account.

2. Supporting documentation that is not received or is incomplete must be noted, filed in a pending documentation file and reviewed on a periodic basis.

3. Failure to obtain required documentation within 25 days of the opening of the account must result in positive actions being taken.

Client ~~Master Files~~Communications

~~1. Entering and amending client master files must be controlled and accompanied by proper documentation.~~

1. ~~2.~~ All hold mail must be authorized by the client in writing and be controlled, reviewed on a regular basis and maintained by the responsible supervisor. Hold mail should never be permitted to occur over a prolonged period of time (i.e. in excess of 6 months).

2. ~~3. Returned mail is to be promptly investigated and controlled.~~Returned mail is to be promptly investigated and controlled.

III. ASSESSING SUITABILITY OF INVESTMENTS AND LEVERAGING STRATEGIES

1. In accordance with Rule 2.2.1, Members and registered salespersons are responsible for the suitability of each recommendation made for an account of a client and must assess the suitability of the investments in each client's account under the circumstances described in Rule 2.2.1(e).

2. Members must have policies and procedures with respect to their suitability obligations, including criteria for the purpose of assessing the suitability of a client's use of leveraging and describing appropriate client circumstances for recommending the use of leverage.

3. The Member's policies and procedures must describe the information required to be maintained in the client file to facilitate proper Member supervision. Whenever the Member or registered salesperson recommends or becomes aware that a client is using a leverage strategy, the Member or registered salesperson must either maintain copies of the lending documents or make sufficient inquiries to obtain details of the loan, including interest rate, terms for repayment and the outstanding loan value. Where the Member or registered salesperson assists the client in completing the loan application, the Member must maintain copies of lending documents in the file, including copies of the loan application.

4. ~~For supervisory purposes, registered accounts, leveraged accounts and accounts operating under a limited trading authorization must be readily identifiable.~~The Member's criteria for selecting trades for review, the inquiry and resolution process, supervisory documentation requirements, and the escalation and disciplinary process must be documented and clearly communicated to all registered salespersons and all relevant employees. Registered salespersons must be advised of the criteria the Member uses in assessing suitability, actions the Member will take when a trade has been flagged for review and appropriate options for resolution.

~~III. **Branch Office Account Supervision**~~

5. Registered salespersons must assess the suitability of investments in each client account within a reasonable time, but in any event no later than the time of the next trade, whenever:

   - the client transfers to the Member or transfers assets into an account at the Member;
   - the Member or registered salesperson becomes aware of a material change in the client's KYC information; and
   - the client account has been re-assigned to the registered salesperson from another registrant at the Member.

   The determination of "reasonable time" in a particular instance will depend on the circumstances surrounding the event that gives rise to the requirement to perform the suitability assessment. For example, with respect to client transfers, the volume of accounts to be reviewed may be a relevant factor in determining reasonable time.

6. Should a registered salesperson identify unsuitable investments in a client's account, the registered salesperson must advise the client and take appropriate steps to determine if there has been any change to client circumstances that would warrant altering the KYC information. It is inappropriate to alter the KYC information in order to match the investments in the client's account. If there is no change to the KYC information, or if investments in the account continue to be unsuitable after the KYC information has been amended, the registered salesperson should discuss any inconsistencies with the client and provide recommendations as to rebalancing investments in the account. Transactions in the account must only be made in accordance with client instructions and any recommendations made with respect to the rebalancing of the account must be properly recorded.

7. Registered salespersons must maintain evidence of completion of all suitability assessments performed and any follow up action taken with respect to such assessments.

IV. BRANCH OFFICE SUPERVISION

Each branch manager must undertake certain activities within the branch for purposes of assessing compliance with the Member's policies and procedures and regulatory requirements. These activities should be designed to identify failures to adhere to required policies and procedures and provide a means of revealing and addressing undesirable account activity.

Daily Activity

1. All new account applications and updates to client information must be reviewed and approved ~~no later than the next business day after the account is opened~~in accordance with this Policy.

2. The branch manager (or alternate) must review the previous day's trading for unsuitable trades and any other unusual trading activity using any convenient means. This review ~~should~~must include, at a minimum, all ~~trades in exempt securities (excluding guaranteed investment certificates) where permitted by securities law, and a sample of~~:

   - initial trades;
   - trades in exempt securities (excluding guaranteed investment certificates);
   - leveraged trades/leverage recommendations for open accounts;

   ~~trades in volatile or speculative funds; and~~

   ~~trades in accounts operating under limited trading authorizations.~~

   - trades in accounts of family members of registered salespersons operating under a power of attorney in favour of the registered salesperson;
   - redemptions over $10,000;
   - trades over $2,500 in moderate-high or high risk investments;
   - trades over $5,000 in moderate or medium risk investments; and
   - trades over $10,000 in all other investments.

   For the purposes of this section, “trades” does not include redemptions except where specifically referenced.

3. When reviewing redemptions, branch managers should seek to identify and assess:

   - the suitability of the redemption with regard to the composition of the remaining portfolio;
   - the impact and appropriateness of any redemption charges;
   - possible outside business activity where money may be leaving the Member for reinvestment into other potentially inappropriate or unauthorized investments; and
   - potential churning, including situations where redemption proceeds are being held on a temporary basis pending reinvestment.

4. ~~3.~~ The branch manager (or alternate) is responsible for following up on unusual trades identified by head office.

5. The branch manager must assess the suitability of investments in each client account where the Member becomes aware of a material change in the client’s KYC information that results in a significant decrease in the client’s risk tolerance, time horizon, income or net worth or more conservative investment objectives. The suitability assessment must be performed no later than one business day after the date on which notice of the change in information is received from the client.

6. ~~4.~~ In addition to transactional activity, branch managers must also keep themselves informed as to other client-related compliance matters such as complaints.

V. HEAD OFFICE SUPERVISION

~~IV. Head Office Account Supervision~~

A two-tier structure is required to adequately supervise client account activity. While the head office or regional area level of supervision by its nature cannot be in the same depth as branch level supervision, it should cover the same elements. Head office review should be focused on unusual activity or reviews that cannot be carried out at the branch level. Head office reviews must include procedures to effectively detect unsuitable investments and excessive trading in client accounts.

Daily Reviews

1. In addition to the trading review criteria for branch managers, head office must conduct daily reviews of account activity which ~~should~~must include~~ criteria to detect the following:~~ , at a minimum, all:

   ~~lack of suitability;~~

   ~~excessive trading or switching between funds indicating possible unauthorized trading or lack of suitability;~~

   ~~excessive switches between no load funds and deferred sales charge or front load funds;~~

   ~~excessive switches between deferred sales charge funds and front load funds;~~

   ~~excessive forced settlements;~~

   ~~quality downgrading of client holdings;~~

   ~~account number changes where the Member uses nominee name accounts.~~

   - redemptions over $50,000;
   - trades over $5,000 in exempt securities (excluding guaranteed investment certificates), moderate-high or high risk investments, or leveraged trades/recommendations for open accounts;
   - trades over $10,000 in moderate or medium risk mutual funds; and
   - trades over $50,000 in all other investments (excluding money market funds).

   For the purposes of this section, “trades” does not include redemptions except where specifically referenced.

2. There must be closer supervision of trading by registered salespersons who have had a history of questionable conduct. Questionable conduct may include trading activity that frequently raises questions in account reviews, frequent or serious complaints, regulatory investigations or failure to take remedial action on account problems identified.

3. Daily reviews should be completed within one business day unless precluded by unusual circumstances.

4. Daily reviews should be conducted of client accounts of producing branch managers.

5. On a sample basis, the Member must review the suitability of investments in accounts where clients have transferred assets into an account. The Member must have policies and procedures regarding sample size and selection, which should be based on the risk level associated with the account, focusing on accounts that hold higher risk investments, exempt securities or products not sold by the Member, accounts that are operated under a power of attorney in favour of a registered salesperson and accounts employing a leverage strategy. The Member’s reviews must be completed within a reasonable time.

VI. IDENTIFICATION OF TRENDS IN TRADING ACTIVITY

~~**Client Statement Reviews**~~

1. ~~A sample of client account statements must be reviewed as frequently as they are required to be produced according to MFDA Rule 5.3.1 and such review should encompass areas of concern as discussed in the daily activity review.~~ Members must establish policies and procedures to identify trends or patterns that may be of concern including:

- excessive trading or switching between funds indicating possible unauthorized trading, lack of suitability or possible issues of churning (for example, redemptions made within 3 months of a purchase, DSC purchases made within 3 months of a DSC redemption or accounts where there are more than 5 trades per month);

- excessive switches between no load funds and deferred sales charge or front load funds;

- excessive switches between deferred sales charge funds and front load funds; and

- excessive switches where a switch fee is charged.

2. Head office supervisory review procedures must include, at a minimum, the following criteria:

- a review of all accounts generating commissions greater than $1,500 within the month;

- a quarterly review of reports on assets under administration ("AUA") comparing current AUA to AUA at the same time the prior year;

- a quarterly review of commission reports for the previous 12 month period comparing commissions received in the current year to commissions received for the same period in the prior year.

Significant increases in commissions or AUA beyond those caused by market fluctuations may indicate issues with churning or leveraging strategies. Significant decreases may indicate potential inappropriate outside business activity.

3. ~~2.~~ Reviews should be completed within ~~21~~30 days of the last day of the period ~~covered by the statement~~being reviewed unless precluded by unusual circumstances.

~~3. Evidence of all reviews should be kept including date of completion, actions and responses and must be maintained for at least two years.~~

DOCs#218694SCHEDULE I TO POLICY NO. 2218700

SAMPLE NEW ACCOUNT APPLICATION FORM

(To be completed by Approved Person)

1. a) Name: Mr. / Mrs. / Ms. (Please Print) Contact: Home ( ) Business: ( ) Other: ( ) Fax: ( ) Email:

Date of Birth: _____/_____/_____
dd / mm / yy

SIN Number: _____-_____-_____

Address: Apt/Number Street

Address: City Province Postal Code

b) IF APPLICABLE

Name: Mr. / Mrs. / Ms. (Please Print) Contact: Home ( ) Business: ( ) Other: ( ) Fax: ( ) Email:

Date of Birth: _____/_____/_____
dd / mm / yy

SIN Number: _____-_____-_____

Address: Apt/Number Street

Address: City Province Postal Code

Date of Birth: _____/_____/_____
dd / mm / yy

---

2. CLIENT'S EMPLOYER

Name: _____ Type of Business: _____

Address: _____ Client's Occupation: _____

---

3. FAMILY INFORMATION

Spouse's Name: _____ Number of Dependants: _____

Spouse's Occupation: _____

---

4. Will any other person or persons:

a) Have trading authorization in this account? Yes__ No__ *(If Yes provide particulars)*
(Trading Authorization held by a third party for the client's account must be documented)

b) Have a financial interest in this account? Yes__ No__ *(If Yes provide Particulars)*

5.

INVESTMENT KNOWLEDGE		RISK TOLERANCE		INDIVIDUAL INCOME	
Extensive	____	Low	____	Under $20,000	____
Moderate	____	Medium	____	$20-50,000	____
None	____	High	____	$50-100,000	____
				Over $100,000	____

INVESTMENT OBJECTIVES		TIME HORIZON		HOUSEHOLD NET WORTH	
Income	____	1 – 3 yrs.	____	Under $25,000	____
Growth	____	4 – 5 yrs.	____	$25-50,000	____
- short term	____	6 – 9 yrs.	____	$50-100,000	____
- long term	____	10 yrs. or more	____	$100-250,000	____
Balanced	____			Over $250,000	____

---

6. LEVERAGING
The client has been provided with a leveraging disclosure document in compliance with MFDA Rules. Yes__

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7. BANKING INFORMATION
Bank Name: _____ Account Number: _____
Branch Address: _____ Transit Number: _____

8.

Client Signature: _____ Date: _____
Salesperson Signature: _____ Date: _____
Designated Officer, Director, or Branch Manager Approval: _____ Date of Approval: _____

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9. CLIENT IDENTIFICATION:

1. _____
2. _____

10. UPDATES TO CLIENT INFORMATION

13.1.3 MFDA Rule 5.3 (Client Reporting)

MFDA Rule 5.3 (Client Reporting)

5.3 CLIENT REPORTING

5.3.1 **Delivery of Account Statement**

(a) Each Member shall, in a timely manner send an account statement to each client in accordance with the following minimum standards:

(i) once every 12 months for a client name account;

(ii) once a month for nominee name accounts of clients where there is an entry during the month and a cash balance or security position; and

(iii) quarterly for nominee name accounts where no entry has occurred in the account and there is a cash balance or security position at the end of the quarter.

(b) A Member may not rely on any other person (including an Approved Person) to send account statements as required by this Rule.

(c) Notwithstanding the provisions of 5.3.1(b), a Member may rely on the trustee administering a self-directed registered plan to send the account statement required by paragraph (a)(i) where the following conditions are met:

(i) The Member does not act as agent for the trustee for the registered plans;

(ii) The trustee meets the definition of "Acceptable Institution" as defined in Form 1;

(iii) There is a services agreement in place between the Member and the trustee which complies with the requirements of MFDA Rule 1.1.3 and provides that the trustee is responsible for sending account statements to clients of the Member that comply with the requirements of MFDA Rule 5;

(iv) There is clear disclosure about which trades are placed by the Member;

(v) Clear disclosure must be provided on the account statement regarding which securities positions referred to on the statement are eligible for coverage by the MFDA Investor Protection Corporation and which are not (once the Corporation is offering coverage);

(vi) The Member's full legal name must appear on the account statement together with the name of the trustee; and

(vii) The Member must receive copies of the statements, or have other systems in place, to ensure that the information contained ~~therein~~on the statements matches its own information regarding the transactions it executes.

(d) Notwithstanding the provisions of Rule 5.3.1(b), where a Member is affiliated with a fund manager and in connection with a specific client account is selling only the mutual fund securities of an issuer managed by such affiliated fund manager for that client account, the Member may rely on the affiliated fund manager to send the account statement required by paragraph (a)(i) for that specific account.

5.3.2 **Automatic Payment Plans**. Notwithstanding the provisions of Rule 5.3.1 (a)(ii), where a Member holds client assets in nominee name and the only entry in the client's account in a month relates to the client's participation in:

(a) any automatic payment plan that provides for systematic trading in the securities of a mutual fund on a monthly or more frequent basis, or

(b) other automatic entries such as dividends and reinvested distributions,

the Member shall send an account statement to the client quarterly.

5.3.3 **Content of Account Statement**. Each account statement must contain the following information:

(a) for nominee name accounts or accounts where the Member acts as an agent for the trustee for the purposes of administering a self-directed registered retirement savings or similar plan:

(i) the opening balance;

(ii) all debits and credits;

(iii) the closing balance;

(iv) the quantity and description of each security purchased, sold or transferred and the dates of each transaction, and;

(v) the quantity, description and market value of each security position held for the account;

(b) for client name accounts:

(i) all debits and credits;

(ii) the quantity and description of each security purchased, sold or transferred and the dates of each transaction; and

(iii) for automatic payment plan transactions, the date the plan was initiated, a description of the security and the initial payment amount made under the plan.

(c) for all accounts:

(i) the type of account;

(ii) the account number;

~~(iii) the date the statement was issued;~~

(iii) ~~(iv)~~ the period covered by the statement;

(iv) ~~(v)~~ the name of the Approved Person(s) servicing the account, if applicable; and

(v) ~~(vi)~~ the name, address and telephone number of the Member.

5.3.4 **Member Business Only**. Only transactions executed by the Member may appear on the statement of account required pursuant to Rule 5.3.3.

5.3.5 **Account Performance Reporting**. The Member must provide information to clients on an annual basis with respect to the performance of the client's account at the Member.

(a) Subject to paragraphs (b) and (c), the account performance reporting must include the following information for the annual period:

(i) the total market value of the account as at the start of the period covered by the report;

(ii) total assets deposited to the account during the period covered by the report;

(iii) total assets withdrawn from the account during the period covered by the report;

(iv) the total market value of the account as at the end of the period covered by the report;

(v) gain or loss in the account as at the end of the period covered by the report.

(b) Notwithstanding the provisions of paragraph (a), where market values cannot be readily and reliably determined by the Member in respect of security positions held in the account, such values shall not be included in the report and the Member must disclose to the client in the report the security positions for which values have not been included and why the information has not been included in the report.

(c) A Member need not send the information contained in paragraph (a) where the Member sends a client communication that contains an annualized percentage rate of return for the client's account in accordance with the requirements of Rule 2.8.3.

13.1.4 Summary of Public Comments Respecting Proposed Amendments to MFDA Rule 2.2 (Client Accounts) and MFDA Policy No. 2 Minimum Standards for Account Supervision

SUMMARY OF PUBLIC COMMENTS
RESPECTING PROPOSED AMENDMENTS TO MFDA RULE 2.2 (CLIENT ACCOUNTS)
AND MFDA POLICY NO. 2 MINIMUM STANDARDS FOR ACCOUNT SUPERVISION

On June 13, 2008, the British Columbia Securities Commission published proposed amendments to MFDA Rule 2.2 (Client Accounts) and MFDA Policy No. 2 *Minimum Standards for Account Supervision* (the "**Proposed Amendments**") for a 90-day public comment period that expired on September 11, 2008.

16 submissions were received during the public comment period:

1. Advocis
2. Assante Wealth Management ("Assante")
3. Association of Canadian Compliance Professionals ("ACCP")
4. BMO Investments Inc. ("BMO")
5. Borden Ladner Gervais LLP ("BLG")
6. Canfin Magellan Investments Inc. ("Canfin")
7. Federation of Mutual Fund Dealers ("Federation")
8. IGM Financial Inc. ("IGM")
9. Independent Financial Brokers of Canada ("IFB")
10. Independent Planning Group ("IPG")
11. The Investment Funds Institute of Canada ("IFIC")
12. The Investment Industry Association of Canada ("IIAC")
13. Primerica Financial Services (Canada) Ltd. ("PFSL")
14. Royal Mutual Funds Inc. and Phillips, Hager & North Investments Funds Ltd. ("RMFI")
15. Scotia Securities Inc. ("SSI")
16. Worldsource Financial Management Inc. ("Worldsource")

Copies of comment submissions may be viewed on the MFDA's website at: www.mfda.ca.

The following is a summary of the comments received, together with the MFDA's responses.

GENERAL COMMENTS

1. Need for a Principles-Based Approach/Outcomes-Based Approach

A number of commenters expressed the view that the amendments should be less prescriptive and more principles-based which would allow Members the flexibility to comply and manage risk in a manner appropriate for their individual business models and operating systems.

Advocis expressed support for the fact that the Proposed Amendments to Rule 2.2 have been drafted with attention to achieving outcomes. Advocis also expressed support for the principles-based requirements with respect to relationship disclosure under proposed Rule 2.2.5.

MFDA Response

MFDA staff acknowledges that certain regulatory requirements were more principles-based prior to the development of the Proposed Amendments. Where MFDA staff has prescribed requirements in greater detail, for example with respect to the trade review thresholds proposed in Policy No. 2, this has been in response to issues identified through MFDA compliance and enforcement activity. Inadequate trade supervision and product due diligence are two of the most common deficiencies identified during compliance examinations of Members. Suitability is the most common subject matter of complaints received by the MFDA. The MFDA's regulatory experience to date has demonstrated that the current principles-based approach has not been effective in addressing these ongoing concerns. The Proposed Amendments are also intended to respond to requests from Members for more direction and establish transparent and objective minimum standards for the industry and a consistent level of investor protection. The Proposed Amendments seek to adopt a principles-based approach where this is appropriate, for example, as noted by the commenter, proposed Rule 2.2.5 sets out requirements for disclosure that are principles-based. In addition, even where the Proposed Amendments introduce prescriptive requirements, such as in Policy No. 2, MFDA staff remains open to considering alternate approaches to meeting such requirements where it can be demonstrated that such approaches meet the minimum standards set out in the Policy.

2. Need for a Cost/Benefit Analysis

IFIC and SSI expressed the view that an MFDA cost-benefit analysis is required to assess the increased operational workload and the additional costs of compliance due to the amendments.

Advocis commented that greater detail is required to justify undertaking amendments to Policies and Rules. Advocis submitted that a cost-benefit analysis is critical in determining if the benefits to be derived from the proposed regulatory intervention outweigh its costs and therefore such analysis should have been performed.

The Federation expressed concern that Members will be required to implement additional compliance procedures as a consequence of the Proposed Amendments, which will not result in improved supervision as Members will be focused on satisfying Rule requirements rather than implementing a sound compliance regime, with no identifiable benefit to the consumer, the industry or the regulatory process.

MFDA Response

As noted above, the regulatory concerns identified by the MFDA's compliance and enforcement activities, as well as the number of complaints received by the MFDA in relation to suitability concerns, have indicated that clarification for Members in this area should be a regulatory priority for the MFDA. Investment suitability has also been identified as a regulatory priority by the Canadian Securities Administrators ("CSA") who have recently undertaken their own policy initiatives in this area. Further, based on the information received from compliance examinations to date, more than 80% of Members have policies and procedures that are in compliance with either the proposed branch review thresholds or the proposed head office review thresholds. MFDA staff does not believe the Proposed Amendments go beyond the measures necessary to ensure that the regulatory concerns identified have been addressed.

MFDA staff has developed the Proposed Amendments over the past three years based on numerous consultations with the industry through Member Regulation Forums, the MFDA Policy Advisory Committee and other ad hoc industry meetings and practical, first-hand experience gained by MFDA staff during the course of their compliance and enforcement activities. MFDA Members were also consulted by way of industry subcommittees which were established in 2006 and presented with the original draft of the amendments for comment. In the course of these consultations, many suggestions were brought forward and discussed. Alternative viewpoints and suggestions from Members, regulators and other industry participants were also discussed at length in these consultations and input received was factored into the Proposed Amendments. Issues of cost to implement the Proposed Amendments were discussed during industry consultations. MFDA staff believes that the Proposed Amendments strike an appropriate balance between managing costs considerations and appropriately addressing the regulatory issues identified by the MFDA.

3. System Changes Required

Assante commented that there are many systems changes that Members will be required to make in order to comply with the new requirements. It indicated that there may be difficulty in creating a compliance system to accommodate these requirements and that this may not have been taken into consideration when the proposals were drafted.

MFDA Response

MFDA staff is aware that systems changes may be required to implement the Proposed Amendments. This issue will be addressed through the provision of appropriate transition periods and MFDA staff has canvassed Members with respect to their views as to adequate transition timelines.

4. Harmonization with Other Regulators

A number of commenters noted differences between the MFDA's Proposed Amendments and those of the Investment Industry Regulatory Organization of Canada ("IIROC") and other regulators, in particular proposals under National Instrument 31-103 *Registration Requirements* ("NI 31-103") and the requirements of the Point of Sale initiative of the Joint Forum of Financial Market Regulators. These commenters stressed the importance of harmonization to avoid inconsistency, duplication and overlap for the industry and also to ensure that investors are subject to similar standards of disclosure and protection.

MFDA Response

MFDA staff acknowledges the industry concerns with respect to the need for harmonization. MFDA staff, in reviewing its proposal, has considered the IIROC Client Relationship Model ("CRM") proposal and met with IIROC staff on a number of occasions to engage in a detailed review of both self-regulatory organizations' ("SRO") proposals with a view to minimizing differences and ensuring that they achieve the same regulatory objectives. As discussed in the Notice published with the Proposed Amendments, there are certain areas in which the MFDA and IIROC have adopted different approaches to achieve

the objectives under CRM. Some of these result from differences in the business of MFDA and IIROC Members or the different ways in which our existing Rules are structured. MFDA staff has also engaged in discussions with CSA staff with a view to ensuring that requirements under proposed NI 31-103 are consistent with those proposed under SRO Rules.

5. Input from Approved Persons and Consumers Required

The IFB commented that there is no indication that the MFDA sought input from advisors in developing the Proposed Amendments. It also suggested that the MFDA consider the results from an investor survey recently issued by the Joint Standing Committee on Retail Investor Issues which asked investors what information they want and need when making an investment decision and how investment products should be regulated.

Advocis expressed concern that there is inadequate early participation in the policy process by non-Members.

MFDA Response

The current process in which MFDA Rule proposals are published for a period of public comment is intended to solicit and encourage participation in the policy process by non-Members. In order to facilitate meaningful input, it is necessary to draft a proposal as a starting point for discussion. All comments received during the public comment process are reviewed and considered by MFDA staff and, to the extent that such comments result in material changes, the draft proposals are published for another period of public comment.

6. Carrying Dealers

IGM recommended that the amendments specifically state that the requirements only apply to introducing dealers and not to carrying dealer except: (i) in the case of a Level 1 introducing dealer, or (ii) where the carrying dealer has agreed to perform specific compliance functions and then only with respect to the compliance functions the carrying dealer has agreed to perform.

MFDA Response

MFDA Rule 1.1.6 currently provides that the introducing dealer shall be responsible for compliance with MFDA Rules for each account introduced to the carrying dealer subject to the carrying dealer being also responsible for functions it agrees to perform under the introducing/carrying dealer arrangement.

7. Coordination of Timing with Member Regulation Notice MR-0069 – Suitability Guidelines

Advocis questioned whether Member Regulation Notice MR-0069 **–** *Suitability Guidelines (*"MR-0069"), which is consistent with Proposed Amendments to Policy No. 2, needs to be replaced by Policy No. 2 at this time. Advocis submitted that there should be sufficient time allowed to first determine if the Notice achieves the MFDA's desired outcome before resorting to another regulatory tool. Advocis expressed the view that, from a regulatory development perspective, the MFDA will not be able to determine if a change in Member and/or Approved Person actions are the result of the Notice or the Proposed Amendments.

MFDA Response

Policy No. 2 is not intended to replace MR-0069. As noted in the introduction to MR-0069, the information in the Notice reflects both existing regulatory obligations and guidelines in certain areas some of which have resulted in the proposed Policy and Rule amendments. The Proposed Amendments are inconsistent in certain respects (e.g. trade review thresholds) with the guidelines set out in MR-0069. When the Proposed Amendments are approved, MR-0069 will be updated accordingly.

SPECIFIC COMMENTS

I. Rule 2.2 (Client Accounts)

A. Rule 2.2.1 (Know-Your-Client and Suitability)

1. General Comments

IIAC noted that the Proposed Amendments requiring that the suitability of investments in a client's account be assessed when certain trigger events occur would have a significant impact on Member firms. In particular, in order to ensure that a suitability review is conducted when one of the trigger events occurs, Members would need to have systems designed to monitor the triggers and ensure the suitability review did in fact occur and was documented in some fashion. IIAC recommended that an ongoing suitability requirement be implemented as a best practice recommendation rather than a strict regulatory requirement.

PFSL commented that the Proposed Amendments will create a significant increase in the frequency of suitability assessments as well as the information that is to be collected for these assessments and go beyond what is required to ensure suitability. PFSL urged the MFDA to verify that the information required to be collected is pertinent to a suitability assessment and to ensure that these requirements do not duplicate other existing obligations. PFSL also noted that suitability assessments should only be performed at relevant opportunities, such as following a material change, at the time of a transaction or any other instance in which concern regarding the suitability of an account could arise.

PFSL added that a significant increase in the number of suitability assessments along with other new regulatory requirements could result in more firms establishing minimum account sizes in order to maintain the viability of their services and that the costs of such measures could impact the access of more moderate investors to affordable financial services and products.

Advocis commented that prescribing the events triggering a suitability review in the Rule is ineffective, as there could be other potential situations not contained in the Rule, which may reasonably be viewed as triggers. Advocis recommended adopting a principles-based approach in the Rule and describing the details as to types of events triggering a review in a Notice.

MFDA Response

Proposed Rule 2.2.1(e) requires overall account reviews at critical times when such assessments will be most meaningful. The review requirement is linked to events where an assessment is relevant in the circumstances. It is currently industry best practice to perform suitability assessments on certain key trigger events. Further, MFDA staff has historically interpreted Rules of general application that require fair and honest dealings with clients to include a suitability obligation. The amendments to Rule 2.2.1 are intended to codify and clarify this expectation. Members are not precluded from assessing the suitability of investments in client accounts at other times (in addition to the trigger events set out in Rule 2.2.1) as a best practice.

It is acknowledged that systems changes will be required to comply with the Proposed Amendments. Accordingly, the MFDA will be considering appropriate transition periods for the implementation of the requirements to ensure that Members are provided with sufficient time to comply.

2. Removal of "from Time to Time" (Rule 2.2.1(a))

IFIC, SSI, Canfin, BMO and IGM recommended the removal of "from time to time" from Rule 2.2.1(a). It was suggested that arbitrary changes to the essential facts may require modification of forms, back-office systems, salesperson behaviour and unnecessary and expensive re-collection of client information. IGM commented that any modifications made to these requirements should go through the public comment process.

BMO recommended that Members be given flexibility to look at their own core client base to determine what KYC information they will collect, rather than having these matters prescribed by the MFDA. BMO noted that if the MFDA were to prescribe the minimum information to be collected, Members would be forced to collect information that may not be relevant to the majority of their clients. BMO expressed the view that the wording of Rule 2.2.1(a) should remain in its current form, as it gives Members enough principled guidance while taking into consideration their own business models.

MFDA Response

The reference to "as may be prescribed by the Corporation from time to time" has been removed from Rule 2.2.1(a). The minimum information that must be collected on account opening is set out in Policy No. 2. Any amendments to these requirements would be subject to the SRO Rule review and approval process that would involve approval by the Board of Directors, CSA review and approval and the publication of any proposed amendments for public comment.

The requirements set out in Policy No. 2 represent the minimum information necessary to operate the account and know the client. While there may be specific situations where it is possible to assess suitability without certain information, it would be difficult from a compliance monitoring perspective to carve out exceptions on an account basis. For example, a client may purchase a simple Guaranteed Investment Certificate ("GIC") when they open an account, making it seem unnecessary, at the time, to collect detailed information with respect to net worth, but later decide to purchase a higher risk mutual fund. If the information is not collected on account opening, it may be difficult to obtain it later.

3. Essential Facts (Rule 2.2.1)

RMFI commented that the requirement for each Member and Approved Person to use due diligence to ensure that each order accepted or recommendation made for any account of a client is suitable for the client based on "essential facts relative to the client" is unduly broad. RMFI suggested that the requirement should refer to "KYC" information, which is the commonly used term as understood by Members and also referred to in MFDA Policy No. 2.

MFDA Response

The requirement for the Member and Approved Person to use due diligence to "learn the essential facts" is a general statement of the principles-based obligation to collect the facts necessary to know the client and assess suitability. Such facts will include, but may not necessarily be limited to, the enumerated items set out in Policy No. 2. Depending on the circumstances, the Member or Approved Person may need to collect other information to fully understand the client's investment needs and objectives.

4. Suitability Assessment Triggers (Rule 2.2.1(e))

(a) Timeline for Review – Assets Transferred in/Change in Approved Person

IFIC, Canfin, SSI and Worldsource expressed the view that, where there is a transfer of assets into an account at the Member or a change in the Approved Person responsible for the client's account, there should be adequate time for the review to occur. IFIC and SSI suggested that the review should be required prior to the first transaction in the account following the change, with allowance for automated transactions to continue.

MFDA Response

Policy No. 2 requires the Approved Person to assess the suitability of investments in each client account within a reasonable time, but in any event no later than the time of the next trade. The determination of reasonable time in a particular instance will depend on the circumstances surrounding the event giving rise to the requirement to perform the suitability assessment. For example, with respect to client transfers, the volume of accounts to be reviewed may be a relevant factor in determining reasonable time. Where an Approved Person is transferring a large book of business to the Member, it may be reasonable to ensure that the suitability assessments are done within a year if there are no trades on the accounts. If; however, one client transfers assets into an account at the Member from another dealer or financial institution, it is reasonable to expect that the suitability assessment would be done relatively quickly. If the timeline for review was based solely on the timing of the first trade on the account after the transfer, there would be no change to the frequency of suitability assessments required currently under MFDA Rules.

With respect to the suggestion that an allowance be made for automated transactions to continue without a suitability assessment being made, there is no exception from suitability obligations under current MFDA Rules or securities legislation with respect to trades made under automatic payment plans.

(b) Member Review – Assets Transferred in

BMO requested clarification with respect to the suitability review trigger in Rule 2.2.1(e)(i). As the preamble to Rule 2.2.1 states that "Each Member and Approved Person shall use due diligence", subsection (e)(i) suggests that the Member itself is required to do something over and above the Approved Person's suitability review at the time the transfer-in instruction is made. BMO indicated that it does not believe that the MFDA intended for the Member to perform a suitability review separate and apart from the Approved Person's review for every transfer-in and suggested that this could be clarified by inserting the words "*by the Approved Person*" at the beginning of subsection (e)(i), similar to subsection (e)(iii).

MFDA Response

Approved Persons are required to review the suitability of investments in the client's account whenever the client transfers assets into an account at the Member. Policy No. 2; however, also requires that Members, on a sample basis, review the suitability of investments in accounts where clients have transferred assets into an account. Accordingly, the wording of Rule 2.2.1(e)(i) has not been amended.

(c) Material Change Trigger for Suitability Review

BMO urged the MFDA to reconsider the wording of Rule 2.2.1(e)(ii). Given the definition of "*material change in client information"*, which is defined as information that could reasonably result in changes to the stated risk tolerance, time horizon, or investment objectives of the client or that would have a significant impact on the net worth or income of the client, BMO noted that a material change in client information cannot itself trigger a suitability review. BMO expressed the view that the material change in client information must result in an *actual* change to risk tolerance, time horizon or investment objectives before a suitability review can be triggered. BMO recommended that the material change only trigger a re-evaluation and update of the client's risk tolerance, time horizon or investment objectives.

MFDA Response

MFDA staff acknowledges the concerns expressed by the commenter and has amended the definition of "material change in client information" to remove the reference to "could reasonably result". The amended definition reads as follows:

"material change in client information" means any information that results in changes to the stated risk tolerance, time horizon or investment objectives of the client or would have a significant impact on the net worth or income of the client."

(d) Meaning of "Transfer" of Assets by a Client

RMFI suggested that the MFDA clarify what constitutes the "transfer" of assets by a client in Rule 2.2.1(e)(i). Specifically, RMFI questioned if a "transfer" includes a deposit or if a "transfer" only involves the movement of assets from an account at one dealer to an account at another dealer.

MFDA Response

Transfer of assets would include the deposit of assets by a client into an account at the dealer as well as the transfer of assets from an account at one dealer to an account at another dealer. The Approved Person must perform a suitability assessment in all cases where clients have transferred assets into an account at the dealer and the Member's head office must also perform a suitability review on a sample basis focusing on the risk level of the account in accordance with the factors set out in Policy No. 2.

(e) Suitability Assessment where Change in Approved Person

IFIC, Canfin, PFSL, IGM and Worldsource expressed the view that the requirement under Rule 2.2.1(e)(iii) for a formal, documented suitability review where there has been a change in the Approved Person is unnecessary and should be removed. It was submitted that, in these cases, to the best of the dealer's knowledge, nothing has changed that might render the investments unsuitable and a provision requiring a new representative to familiarize him/herself with the file already exists in the Rules and is manageable. PFSL noted that this requirement will increase the advisor's workload, while adding costs and inconvenience that will ultimately be borne by clients.

SSI, noting that it does not assign accounts to individual Approved Persons, recommended that the words "*if applicable"* be added to Rule 2.2.1(e)(iii).

MFDA Response

Under current Policy No. 2, Approved Persons are already required to review the client's KYC information where they have been assigned responsibility for a client's account. At the same time, they should also be reviewing the investments in the client's account to assess suitability. Rule 2.2.1(e)(iii) is intended to formalize and codify an existing practice by requiring that Approved Persons document their review. If accounts are not assigned to individual Approved Persons, the requirement in Rule 2.2.1(e)(iii) does not apply.

5. Advising Clients of Unsuitable Investments (Rule 2.2.1(f))

BLG commented that the due diligence obligations in assessing the suitability of each investment in the client's account, as proposed by Rule 2.2.1(e), could prove onerous or effectively impossible to meet in the case of certain prospectus-exempt and/or registration-exempt securities. BLG noted that if a Member and Approved Person are unable to assess the suitability of a transferred investment in order to comply with section 2.2.1(e), they will be unable to comply with section 2.2.1(f) as drafted. BLG submitted that Members and Approved Persons should be exempt from sections (e) and (f) of Rule 2.2.1 for transferred investments provided that written notice is promptly sent to the client advising which of the transferred investments are not subject to a suitability assessment. In the alternative, Members and Approved Persons should be specifically permitted, after performing and recording a reasonable level of due diligence, to classify transferred investments as "high risk" or "speculative" for purposes of assessing suitability where the information that is needed to assess suitability is not readily available.

BMO expressed the view that the reference in Rule 2.2.1(f) to "*…where investments in a client's account are determined to be unsuitable…*" appears to suggest that Members have an ongoing obligation to review suitability of a client's investments even without a trigger having taken place.

MFDA Response

It is recognized that it may be difficult in some circumstances for Members to assess a product transferred into a client's account if they have never sold it. If Members have concerns with respect to a product that a client is holding, they have the option of advising the client that they will not accept the transferred investment. In the alternative, they may, as suggested by the

commenter, classify the transferred investment as "high risk" or "speculative" for purposes of assessing suitability. If information with respect to the transferred investment is not readily available, it is likely because the investment is not liquid. Accordingly, classifying the investment as "high risk" or "speculative" would be reasonable in these circumstances.

Rule 2.2.1(f) applies whenever the Member or Approved Persons performs a suitability assessment. There is no ongoing obligation to assess suitability of a client's investment without a trigger having taken place. However, if the Member or Approved Person chooses to perform a suitability assessment without a trigger having taken place, section (f) still applies.

B. Rule 2.2.2 (New Accounts*)*

IFIC, IGM and Canfin recommended that the Rule clarify that the obligation to open an account within a reasonable time arises only when the account application is received in good order. RMFI commented that the requirement that each new account for a client be opened by the Member within a reasonable time of the client's instructions should reflect that there may be uncontrollable delays when the client has not met other regulatory requirements such as anti-money laundering and terrorist financing requirements, or if the documentation received is not otherwise in good order.

IFIC and the ACCP requested clarification as to when an account is considered open.

MFDA Response

The obligation to open an account within a reasonable time arises when the account application is received in good order. Policy No. 2 provides that New Account Application Forms ("NAAFs") must be prepared and completed for all clients prior to the opening of new client accounts. NAAFs for clients of Approved Persons transferring to the Member must be prepared and completed within a reasonable time (but in any event no later than the time of the first trade). In these cases, the account can be opened with the client's name and address on the dealer change form pending completion of the NAAF. It is recognized that there may be uncontrollable delays where the client has not met other regulatory requirements and this may be taken into account when determining reasonable time for the purpose of the Rule.

An account is considered open when the necessary approvals have been obtained and an account number has been assigned.

C. Rule 2.2.3 (New Account Approval)

IFIC and Canfin recommended that the original wording of Rule 2.2.3 be maintained given that, as per standard industry practice, approval of forms is completed prior to or promptly after completion of any initial transaction. IFIC recommended replacing "no later than one business day after the date that the account is opened" with "within a reasonable time (but in any event no later than the time of the first trade)".

The ACCP commented that Members currently approve a new account along with the initial transaction, which results in a comparison of the essential facts of a client and the essential facts of the order. It submitted that account approval without the details of the initial transaction represents an unnecessary step and results in an incomplete review that would warrant a second review at the time of the transaction.

BMO noted that Rule 2.2.3 and Policy No. 2 require new accounts to be approved no later than one business day after they are opened. BMO indicated that, based on the new requirements for daily trade surveillance, all initial trades will have to be reviewed, resulting in the account having to be reviewed twice – once at account opening and again at completion of an initial trade if it occurs at a later date. BMO stated that it does not believe that all initial trades need to be approved by the branch manager. BMO added that, if the MFDA's proposed trade review thresholds are maintained, all initial trades falling within these thresholds will be reviewed and that there is no reason for initial trades to be subject to a more onerous level of scrutiny than subsequent trades. BMO also noted that if a new account is opened separately from when the client makes the initial trade (for example if the client chooses to postpone making trading instructions), there would be no way to link the trade back to the new account or identify it as the first trade on the account.

MFDA Response

MFDA staff acknowledges the concerns expressed by the commenters and has revised the Proposed Amendments to Rule 2.2.3 to clarify that new accounts must be approved no later than one business day after the initial transaction date. In light of the revised requirement with respect to the timing of new account approval, it is appropriate that the branch manager also approve the initial trade at the same time. When reviewing the NAAF, the branch manager must also consider the initial trade to ensure that it is consistent with the client's KYC information.

D. Rule 2.2.4 (Updating Client Information)

1. Scope of Material Change

IFIC and Canfin commented that, while having material changes in KYC information such as risk tolerance examined by an Approved Person is appropriate, requiring all material changes to be approved by the designated individual under Rule 2.2.4 (c) is unnecessary. IFIC and Canfin suggested clarification by adding "as defined in 2.2.4 (a)" following "material change in client information".

MFDA Response

The definition of "material change in client information" in paragraph (a) of Rule 2.2.4 applies to all of the requirements in Rule 2.2.4. Accordingly, the requirement for supervisory staff approval of material changes in paragraph (c) of Rule 2.2.4 is already limited to the changes defined in paragraph (a).

2. Requirements Regarding Updating Client Information Too Restrictive

A number of commenters expressed the view that the requirements with respect to updating client information in Rule 2.2.4 are too restrictive and already subject to internal risk management controls of Members. Worldsource commented that the proposed process for updating KYC information in Rule 2.2.4 is impractical for Members that handle updates through a call center. The commenters recommended that the Rule contain only principles and allow Members flexibility to manage risk.

PFSL expressed the view that the Rule is overly prescriptive in that it establishes the use of client signatures as the only acceptable method of managing risk. PFSL noted that client signatures are not the most effective means of authenticating client instructions and, therefore, it is not appropriate to limit authentication mechanisms to client signatures.

Advocis commented that the client signature requirement for changes to client address and banking information will increase compliance responsibilities and that the broader policy concern underlying this requirement is not clear.

SSI noted that the primary obligation should be on the Member to have adequate controls in place to ensure client updates to material changes are accurately recorded and approved by the client and that the obligation to confirm any changes should, in the normal course, take place at the time of the next client interaction with the dealer. SSI added that requiring the approval of all material changes by the designated individual is unnecessary and would be inefficient for a large integrated financial services group. SSI submitted that it should be able to rely on change controls implemented by its parent, or by other wholly-owned subsidiaries, provided timely access controls are agreed to.

BMO urged the MFDA to reconsider the prescriptive nature of this section, particularly as it relates to the need for a client signature for a change in client address. BMO noted that, like other dealers that are members of large financial groups, it is able to leverage off the robust and sophisticated technological tools of the financial group and, as a result, does not collect client signatures to initiate address changes but rather uses an enterprise-wide database that allows for the performance of profile maintenance activities (such as address updates) at the enterprise level. BMO proposed that, in cases where a Member is able to utilize a technological process that minimizes paper, uses electronic "documentation" and strikes an appropriate balance between preventative and detective controls, including a reliable audit trail, the MFDA should be open to considering it as a suitable alternative to collecting a client signature.

MFDA Response

Through compliance and enforcement activity, MFDA staff has identified situations where unverified changes in client address and banking information have facilitated fraud and misdirection and misappropriation of mail, including redemption cheques. The requirement to properly verify client address changes is necessary in light of the risk of fraud and misappropriation. Rule 2.2.4(d) has been amended to include other internal controls that are sufficient to authenticate the client's identity and verify the client's authorization. The client signature requirement, however, is not limited to physical, hard copy signatures but also includes electronic signatures such as telephonic recordings or the use of a password protected web access system. As further discussed in MFDA Member Regulation Notice MR-0016 – Electronic Signatures, an electronic signature does not have to look like a physical signature in order to be valid and binding. For example, the signature can be a code, sound or symbol of any kind and could be part of or separate from the document it signs as long as the association with the document is clear.

3. Update to KYC Information Triggered by Client Instructions Only

BLG noted that paragraph (c) of Rule 2.2.4, which provides that all changes to KYC information are to be based on client instructions alone and that the Member must maintain evidence of such instructions, is inconsistent with the wording in paragraphs (a) and (b). BLG noted that the definition of "material change in client information" in Rule 2.2.4(a) is not limited to

information provided by the client and confirmed by client instructions as it refers to "any information that could reasonably result in changes."

BLG commented that Rule 2.2.4(b) does not refer to client instructions and expands the obligation to update KYC information to "any material change in client information whenever a Member or Approved Person *or other employee or agent* (emphasis added) becomes aware of such change including pursuant to Rule 2.2.4(c)". BLG expressed the view that unless such employee or agent has specific responsibility for maintaining or updating KYC information, only the Member and the client's Approved Person should have such an obligation. BLG also noted that Policy No. 2, which requires the registered salesperson or Member to update the KYC information, is inconsistent with Rule 2.2 that imposes the obligation whenever an Approved Person, Member, an employee or agent becomes aware of a material change.

IGM expressed the view that the obligation to update KYC information should be triggered only where the client advises the Member or Approved Person of the change and that KYC information should not be updated without client acknowledgement.

BLG also suggested that the responsibility of the client to inform the Member and Approved Person of material changes should be provided for in Rule 2.2.5(e). The IFB was also of the view that there should be some recognition of client responsibility in communicating material changes to the advisor or firm.

MFDA Response

We acknowledge the comment with respect to Rule 2.2.4(c). As noted above, the definition of "material change in client information" has been revised to remove the reference to "could reasonably result". With respect to the discrepancy between the language of Rule 2.2 and Policy No. 2, Rule 2.2.4(b) has been amended to remove the reference to "other employee or agent". "Approved Person" in MFDA By-law No.1 has been broadly interpreted by MFDA staff to include employees or agents who conduct or participate in the dealer business of the Member. Accordingly, the obligation with respect to updating KYC information in Rule 2.2.4 applies to any relevant employee or agent, such as a compliance staff or other branch or head office staff, who has any involvement with the client's account. Policy No. 2 has also been amended to reference "Approved Person" rather than registered salesperson to conform with the wording of Rule 2.2.4(b).

For the purpose of greater clarity, if a Member or Approved Person becomes aware of any information that could result in a material change to client information, the Member or Approved Person will be expected to discuss that information with the client and, where the client has confirmed the need for change, to update the client's KYC information accordingly. The client's KYC information must not be updated without confirmation by the client. As set out in Policy No. 2, the client's confirmation may be evidenced by a client signature or by maintaining notes in the client's file with details of the client's instructions and providing the client with the opportunity to make corrections to the changes made.

With respect to the suggestion to amend Rule 2.2.5(e) to provide for the responsibility of clients to inform Members of material changes, we note that the MFDA cannot enforce regulatory obligations on clients. Policy No. 2 does provide that Members should advise clients on account opening to promptly notify the Member of any material changes in client information previously provided to the Member and provide examples of information that should be regularly updated. In addition, Rule 2.2.4 currently requires Members, at least annually, in writing, to request each client to notify the Member if there has been any material change in client information previously provided to the Member.

E. Rule 2.2.5 (Relationship Disclosure)

1. General Comments

IIAC expressed support for the removal of requirements included in previous MFDA draft proposals that are duplicative with disclosure required under securities legislation, other MFDA Rules and other ongoing regulatory initiatives. IIAC also commended the MFDA for its more flexible approach to relationship disclosure. In particular, IIAC noted that permitting Members to provide the relevant client disclosure in either one document or several recognizes that some Members already meet the proposed requirements. However, IIAC suggested that an industry-wide relationship disclosure document would eliminate the need for separate relationship disclosure documents or a combined document for different accounts and proposed an alternative model.

The IFB expressed the view that the content and procedures related to relationship disclosure and KYC do not recognize the different levels of service a client can choose to have with an advisor and a firm. The IFB suggested that a client who wishes to invest a nominal amount in a mutual fund to make a one-time contribution to a RRSP will likely find the level of detail prescribed unnecessary and objectionable. The IFB commented that clients should not be forced to divulge detailed personal financial information when they find it to be inappropriate and that there should be an opt-out provision that would clearly state that more detailed information is not being collected at the client's direction. The IFB expressed support for a principles-based approach to disclosure whereby various categories of disclosure are set out with discretion to choose information relevant to the particular client or client's account.

MFDA Response

With respect to the comment that clients should be permitted to opt out from providing detailed personal financial information when they find it inappropriate, MFDA's compliance and enforcement experience to date indicates that the information specified is the minimum required to assess suitability and operate the account. This information is essential to discharging the fundamental obligation to assess suitability and its collection is also required under provincial securities legislation.

With respect to suggestions that the MFDA adopt a flexible, principles-based approach, Rule 2.2.5, as proposed, already achieves this as it sets out general principles that establish a minimum standard of disclosure, which Members may choose to customize.

2. Delivery on Account Opening

Assante commented that while the provision of written relationship disclosure is beneficial to clients, where the client establishes multiple accounts over a time period (i.e. 6 months), there is no added benefit to receiving this information at each account opening. It suggested that, provided there has not been a change to the required information, an allowance be made to provide it once on an annual basis.

MFDA Response

The relationship disclosure is intended to provide clients with information about the role and responsibilities of the Member and how the account will be operated. When a new account is opened, the client should be informed as to whether the relationship that applies to the new account and the manner in which the new account will be operated are the same or different from those of accounts that the client may have with the Member. This disclosure requirement applies at account opening and there is no ongoing requirement to provide such disclosure on an annual basis.

3. Nature of the Advisory Relationship (Rule 2.2.5(a))

IFIC and SSI requested clarification and explanation as to what constitutes a description of the nature of the advisory relationship.

MFDA Response

This section contemplates a brief description of how the advisory relationship operates, which may include a statement that the client is responsible for making investment decisions but can rely on the advice given by the Approved Person and that the Approved Person is responsible for the advice and ensuring that it is suitable based on the client's investment needs and objectives. MFDA staff will be issuing a Member Regulation Notice to provide additional guidance with respect to the level of detail to be set out in the relationship disclosure document.

4. Description of Products and Services Offered (Rule 2.2.5 (b))

IFIC, SSI, IGM and Canfin commented that the requirement to disclose all products and services offered by the Member is confusing. IFIC, IGM and Canfin requested clarification that Rule 2.2.5(b) refers only to generic descriptions of products and services rather than product-specific descriptions.

MFDA Response

The requirements of this section refer to generic descriptions (i.e. product type/class sold: mutual funds, GICs, exempt products, etc). Where Members only sell proprietary products or mutual funds of a related issuer, this should also be disclosed. MFDA staff will be issuing a Member Regulation Notice to provide additional guidance with respect to the level of detail to be set out in the relationship disclosure document.

5. Suitability of Orders Accepted/Recommendations Made (Rule 2.2.5(d))

BLG commented that the description of the Member's obligation in Rule 2.2.5(d) to ensure that each order accepted for any account must be suitable does not consider that an order that is not recommended can be accepted provided that the Approved Person cautions the client that the investment to be purchased is not suitable under Rule 2.2.1(d).

MFDA Response

The wording of Rule 2.2.5(d) has been revised to reference the Member's obligations to assess investment suitability in accordance with Rule 2.2.1. MFDA staff will provide further guidance with respect to this issue in a Member Regulation Notice.

6. Defining KYC Terms (Rule 2.2.5(e))

IFIC and SSI recommended removing Rule 2.2.5(e). IFIC and SSI suggested that the requirement for advisors to define the various terms with respect to KYC through written disclosure simply increases the volume of materials to be provided at account opening. PFSL commented that generic and easily understandable disclosure of the importance of suitability and KYC information would be of greater value to clients.

RMFI indicated that, while it agrees that it would be beneficial to clients to define certain terms (i.e. risk tolerance categories and investment objectives), not all KYC information requires definition as such terms are, in most cases, self-explanatory (i.e. income). RMFI also suggested that firms should be permitted to have flexibility to define KYC terms in a manner that corresponds to their sales process.

MFDA Response

The requirements of this section do not contemplate defining all KYC terms, as it is acknowledged that certain terms, such as age, are self-explanatory. "Risk tolerance", "investment objectives" and "time horizon" are examples of key KYC terms that should be defined. MFDA staff has found that Members and clients may attribute different meanings to these terms, which may prevent clients from understanding the basis on which their investments will be assessed.

MFDA staff agrees that Members must define KYC terms in a manner that corresponds to their sales process. The KYC terms set out and defined in Appendix 1 (Example of KYC Information) of MR-0069 are intended as examples to provide guidance to Members with respect to the type of terms to be defined and level of detail expected.

7. Description of Compensation/Reference to Other Sources of Information (Rule 2.2.5(g))

BMO expressed the view that Rule 2.2.5(g) is not clear and asked for clarification as to whether "referring the client to other sources for more specific information" means that Members must provide additional sources of information relating to the nature of compensation paid to the Member, or that the Member must provide information on how to contact the Member generally. If the latter is intended, BMO noted that this is more suited as a separate point (h) rather than being included in (g).

MFDA Response

Members may satisfy the requirements of this section by referring a client to existing sources of information, e.g. the prospectus, point of sale disclosure document or offering memorandum. In addition, clients may also be advised to speak to their Approved Person for more information about the nature of compensation paid to the Member. MFDA staff will be issuing a Member Regulation Notice to provide additional guidance with respect to the level of detail to be set out in the relationship disclosure document.

II. Policy No. 2 *Minimum Standards for Account Supervision*

1. Deviation from Policy No. 2

A number of commenters expressed the view that the requirement for MFDA pre-approval of all alternative policies and procedures is unnecessary and burdensome and will destroy the diversity of the channel and limit the ability to respond to new risks according to the circumstances of the firm.

Advocis commented that the MFDA pre-approval requirement should be removed given that development or amendment of all internal policies and procedures must obtain approval from senior management of the Member thus making senior management responsible for determining if their internal policies meet the requirements stated in MFDA Policy.

RMFI also suggested removing the phrase "minimum standards" from the requirement that Members seeking to have alternative policies approved must demonstrate that all of the principles, objectives and minimum standards set out in Policy No. 2 must be properly satisfied. RMFI indicated that alternative policies and procedures will likely have different minimum standards to effectively address the specific risk management issues of the Member.

MFDA Response

The new section in the Introduction to Policy No. 2, which provides that Members may adopt alternative policies and procedures that differ from those in the Policy with the pre-approval of MFDA staff, was requested by members of the MFDA Policy Advisory Committee to allow Members flexibility in complying with the minimum thresholds. For example, there are certain Members that have a suitability framework that assesses, at the time of each trade, whether the trade will result in the portfolio varying from the KYC information on file for the client. Accordingly, thresholds are not particularly relevant in this case and MFDA staff would consider this method as complying with the minimum standards of the Policy.

Pre-approval of alternative approaches is required in order to achieve a level-playing field among Members and to establish a consistent level of investor protection. In light of the fact that all Members have been subject to at least two examinations, providing pre-approval to Members with alternative arrangements is a fairly simple and straightforward process. Further, historically, Members who wish to change their suitability framework generally approach MFDA staff in advance as a prudent business practice to ensure that they are not incurring time and cost on a new structure that might not comply with MFDA requirements. The requirement for pre-approval of alternative policies and procedures codifies existing practice and does not impose any new requirements. Further, the pre-approval requirement would generally apply to changes to material aspects of a Member's supervisory system such as changes to the Member's trade review thresholds that deviate from the minimum standards set in the Policy.

Members are provided with flexibility in meeting the minimum standards and it is acknowledged that there may be differing approaches to achieving the same regulatory result; however, it is necessary to retain the notion of "minimum standards" in order to ensure consistency in the level of investor protection.

2. Establishing and Maintaining Procedures – Delegation of Procedures

IFIC and Canfin expressed the view that this section serves no useful purpose and should be removed as the principle of delegating tasks and procedures, but not accountability, to a knowledgeable and qualified individual is covered in section 1 of the Rule. PFSL noted that the first sentence would suffice to communicate the intention of the principle.

IPG expressed the view that it is onerous and costly to expect only branch managers to perform trade suitability review tasks. It was suggested that, while responsibility for suitability of trades ultimately belongs to the salespersons and branch managers, tasks are generally delegated to administrators. IPG also requested clarification with respect to the definition of a "task" and what tasks unlicensed administrators are permitted to perform with respect to trade suitability administration.

MFDA Response

This section was drafted in response to requests from Members for clarification with respect to what tasks can be delegated and the required proficiency to perform a delegated task. The purpose of this section is to confirm the general principle that tasks must be delegated to individuals with the same proficiency as the delegating supervisor. The section also provides flexibility where the Member can demonstrate that the individual performing the delegated task has equivalent training, education or experience related to the function being performed.

Through compliance reviews, MFDA staff has identified situations where individuals are performing tasks related to trade supervision without the requisite knowledge or experience. These types of tasks must be performed by individuals that possess the proficiency of a branch manager or compliance officer, although these individuals need not be registered in these categories. Branch managers, for example, are required to possess two years experience as a salesperson, which allows for a full understanding of the activities that they are supervising. MFDA staff believes that trades cannot be properly reviewed unless an individual has the type of experience and understanding that branch managers and compliance officers have of trade suitability procedures.

3. Education

IFIC, IGM, SSI and Canfin suggested that compliance-related information need not be circulated to all employees and recommended restoring the original wording specifying that information "must be communicated to registered salespersons and relevant employees". IGM commented that sending this information to all employees would serve no useful purpose, particularly for a large dealer where many employees perform administrative functions. Assante expressed the view that removing the word "relevant" means that many employees will receive unnecessary notices and bulletins that are unrelated to their job function and this may cause confusion and misunderstanding.

MFDA Response

The wording of the section has been revised in response to comments received from Members through the Rule Review Survey, which suggested that the requirement to circulate information contained in compliance-related bulletins to all Approved Persons was not appropriate as not all information will be applicable to the Member's business, nor will it be applicable to all Approved Persons. The revisions to this section qualify the information that must be circulated by adding the word "relevant". The intention of the revised wording is to clarify that only information that is relevant to a salesperson or employee must be sent to that individual salesperson or employee. For example, financial compliance bulletins generally will only be relevant to accounting staff and senior management.

4. Documentation of Client Account Information

(a) Requirement for Approved Person to Maintain Copy of NAAF (section 2)

SSI noted that, as it does not assign accounts to Approved Persons, the requirement for the salesperson to maintain a copy of the NAAF should be only "*if applicable"*.

MFDA Response

We have amended the Policy to generally require that Approved Persons have access to the documentation and information as required to service the client's account.

(b) Specifying Income and Net Worth (sections 4(k) and (l))

SSI recommended that section 4(k) specify whether net income is being reported and that section 4(l) be amended to read "*calculation of total and liquid net worth"*.

MFDA Response

Income may be obtained on either a net or gross basis, as long as it is specified which figure is being used. There has been confusion with respect to the meaning of liquid net worth. Further, we believe the key components are liquid assets and total net worth and have amended the Policy accordingly.

(c) Employment Information (section 3(e))

BLG suggested that section 3(e) should specify the "employment information" to be obtained. BMO added that, with the exception of information in respect of occupation, it does not believe that information relating to all aspects of a client's employment offers any further substantive knowledge to the Approved Person that would ensure that mutual fund investing, or a specific transaction, is suitable for the client and in keeping with the client's investment objectives.

MFDA Response

Sufficient inquiries should be made to obtain information necessary to properly service and administer the account. For example, information that would impact on the suitability of investment recommendations, such as whether the client's employment is seasonal, part-time or full-time, should be collected.

(d) Dependants (section 3(f))

With respect to the requirement in section 3(f) to provide the number of dependants, IFIC, SSI, BMO and Canfin requested clarification as to how this information will be beneficial in determining and assessing client suitability and recommended its removal. BMO indicated that such information would be more appropriate in a financial planning context where trust, estate and succession planning services may be provided.

MFDA Response

While this requirement does have a financial planning component, the number of dependants is also important in the determination of the amount of income available for investing.

(e) Information Required by Other Legislation (sections 3(g)(h)(o)(p))

IFIC, SSI and Canfin recommended removal of the requirement in section 3(g) and 3(h) to obtain information regarding other persons with trading authorization on the account and other persons with a financial interest in the account. It was noted that these requirements already exist under current anti-money laundering rules and are therefore unnecessary to be included in an MFDA Rule.

IFIC, Advocis, PFSL, RMFI, Worldsource and Canfin recommended removal of the requirements to provide information required for relevant tax reporting and for compliance with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Regulation*, as this information is already subject to federal laws and is therefore unnecessary to be included in an MFDA Rule. PFSL also noted that the requirement to provide the nature of the business in item 4(e) was duplicative with requirements under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Regulation.*

MFDA Response

Through compliance reviews, MFDA staff has identified situations where Members were unaware of requirements under other relevant legislation. Accordingly, these items were included with the intention of assisting Members by providing a complete checklist of client information required on account opening.

(f) Net Worth (section 3(n))

IFIC, RMFI and SSI recommended that the Rule not specify details of net worth calculations and expressed the view that clients may not be comfortable providing this information as such details are not relevant to assessing KYC. IFIC and SSI suggested changing the requirement to provide details of liquid assets, fixed assets and liabilities to only require calculation(s) of liquid and total net worth. With respect to section 3(n), PFSL suggested that "liquid net worth" would be more appropriate than a calculation of net worth in assessing the suitability of most investments.

BMO submitted that net worth should be depicted on the application form using reasonable ranges with more detailed information being collected when needed, such as at the time of a leveraged trade or the completion of a financial plan. BMO also noted that requiring detailed net worth information for even the smallest mutual fund purchase will lead to privacy concerns on the basis that the degree of specificity in the collection of the client's personal information is disproportionate to the information required for the service they are requesting. BMO added that, typically, investors do not have detailed calculations on hand and will provide approximations in order to proceed with a transaction in a timely fashion, making the information no more valuable or accurate than if the client had selected a reasonable range.

IGM suggested that Members should only be required to obtain a breakdown of client net worth between liquid and total net worth in the event that the client is considering a leverage investment.

MFDA Response

As a general matter, we note that there is significant confusion among Members as to what "liquid net worth" means. The Policy has been amended to require, at a minimum, details of liquid assets and total net worth. It is noted that ranges may be used as long as they are sufficiently narrow to be meaningful. When assessing suitability, the lowest end of the range should be used. The calculation of net worth is very important not only where leverage is used or considered but also in determining the suitability of investments generally. For example, where clients are considering risky investment strategies or investments with a long-term maturity date, it would be important to consider whether the client has sufficient liquid assets to cover their obligations and any potential risk.

(g) Joint Accounts

IFIC, BMO, SSI and IGM recommended that, in the case of a joint account, risk tolerance be assessed on an account rather than individual basis, as otherwise it would be difficult to open a joint account where individual risk tolerance levels conflicted.

RMFI commented that, in joint accounts, flexibility should be provided so that KYC information could be assessed at either the investor or account level.

MFDA Response

The exclusion of risk tolerance from the list of items that must be collected on an account basis for joint accounts was a drafting oversight that has been amended accordingly.

With respect to joint accounts, certain KYC information such as age and investment knowledge should be collected for each individual account holder. Annual income and net worth can be collected for each individual or on a combined basis as long as it is clear which method has been used. Investment objectives, time horizon and risk tolerance; however, should relate to the account and should not be collected separately for each individual account holder.

(h) Investment Knowledge – Legal Entities (section 4(g))

With respect to the requirement to obtain information concerning the investment knowledge of the persons responsible for providing instructions on the account in section 4(g), IFIC, SSI and Canfin requested clarification as to whose investment knowledge is to be assessed (i.e. decision makers, or owners) and what is to be done in the case of conflicting investment knowledge. IFIC suggested modifying this requirement to read, "investment knowledge of the entity".

MFDA Response

A corporation, trust or other type of legal entity itself does not have the capacity to possess knowledge or make decisions. As such, the investment knowledge of the persons responsible for making the investment decisions for the legal entity must be assessed. Other KYC information would relate to the beneficial owner.

(i) Personal Information – Privacy Legislation (section 3(q))

IFIC, SSI and Canfin requested clarification of what constitutes "personal information" with respect to the requirement to provide authorization to disclose personal information to the MFDA under applicable privacy legislation. SSI added that clarification is required as to the scope of information that the client may expect to have divulged and under what circumstances.

With respect to section 4(o), SSI requested clarification as to what constitutes personal information for a non-personal entity or to whom the subsection applies.

MFDA Response

The Policy has been amended to generally reference the requirement to provide authorization to disclose information to the MFDA under applicable privacy legislation. With respect to what constitutes "personal information" and the scope of information that the client may be expected to disclose, Members should refer to the applicable provincial privacy legislation or federal legislation to determine their obligations.

5. Identification of Certain Types of Accounts for Supervisory Purposes (section 5)

IFIC, PFSL and SSI suggested amending this section to limit the identification of the accounts to those known to the Member as registered accounts, leveraged accounts and accounts operating under a limited trading authorization or power of attorney. IFIC, PFSL and SSI commented that a power of attorney, for example, could be attached to an account without a Member's knowledge.

IGM commented that the obligation to identify accounts operating under a power of attorney or limited trading authorization in favour of a registered salesperson should arise only where the Member had knowledge of the status of the account, and not retroactively, since this is a new requirement. IGM expressed the view that this requirement should apply only to accounts opened after the date the requirement comes into force.

Assante commented that the term "family members" is not defined in the Policy.

MFDA Response

This requirement applies to limited cases where an Approved Person holds a power of attorney for a client that is an immediate family member of the Approved Person and does not extend to every account operating under a power of attorney. This is a limited exception to the general prohibition on Members and Approved Persons accepting a power of attorney from clients in Rule 2.3.1. Rule 2.3.1(b) provides that the exception is subject to other conditions as prescribed by the Corporation. Member Regulation Notice MR-0031 – Powers of Attorney – Rule 2.3.1 – Exception for Family Members of Approved Persons ("MR-0031"), issued in October 2004, sets out compliance controls that must be complied with where this exception is relied upon. These compliance controls include the requirement that Members identify, on their records, accounts for which an Approved Person holds a general power of attorney. Recent amendments to Rule 2.3.1 also clarify the requirement for Approved Persons to notify the Member of the acceptance of a power of attorney from a family member and Members should have policies and procedures to ensure that this notification requirement is complied with. Accordingly, Members should have knowledge of such accounts to the extent that they permit their Approved Persons to accept a power of attorney from family members.

The term "family member" is referred to and defined in Rule 2.3.1(b) and in MR-0031 as "spouse, parent or child".

6. Controls for Entry of KYC Information (section 7)

IGM suggested that the requirement to detect and prevent inconsistencies between the KYC information used for account supervision and the KYC information provided by the client should be revised to read: "Such controls should provide an effective means to ensure that any updates to KYC information are recorded on the back office systems properly and accurately."

MFDA Response

This section is intended to apply to KYC updates as well as KYC information collected on account opening and, as such, MFDA staff believes that it is appropriate to specifically address this concern with the suggested wording.

7. Timelines for Completing and Approving the NAAF – Transfer of Registered Salesperson (section 9)

IFIC and SSI recommended removal of section 9, which sets out timelines for completing and approving the NAAF for clients of a registered salesperson transferring to the Member, stating that this section appears to apply only in the case of bulk transfers and that current procedures already require permission on bulk transfers.

MFDA Response

This section is intended to provide flexibility with respect to timelines for obtaining and approving NAAFs in situations where an Approved Person transfers to a Member with a large volume of accounts. The section provides that NAAFs must be prepared and completed within a reasonable time (but in any event no later than the time of the first trade) and approved no later than one business day after the NAAF is completed.

8. Change of Registered Salesperson/Requirement to Review KYC (section 11)

IFIC, IGM and Canfin recommended removal of the requirement for an Approved Person who has been assigned to service a client's account to review the KYC information as this requirement is redundant with Rule 2.2.1. IFIC commented that an update to KYC is initiated through a material change or a triggering point on the account and is not collected on a periodic basis. IFIC noted that the Rules triggering a suitability review establish that the KYC is current, as long as an annual notice is sent to the client and no material change known to the Member has occurred.

MFDA Response

MFDA staff agrees with the comment that the requirement to review the KYC information is already addressed by the requirement in Rule 2.2.1 to perform a suitability review and has deleted the requirement from the Policy.

9. Changes to Know-Your-Client Information

(a) Client Information/KYC Information

IFIC and SSI recommended clarifying that "client information" refers to KYC information and suggested the addition of "as defined in 2.2.4 (a)" following "client information" in sections 2, 3 and 7.

MFDA Response

The Policy has been amended to reference the definition in section 2.2.4(a).

(b) Client Signature for Changes to Client Name, Address or Banking Information (section 5)

IFIC recommended removal of section 5 that requires a client signature for changes to client name, address or banking information as it duplicates the requirements of Rule 2.2.4(d).

MFDA Response

MFDA staff recognizes that there may be overlap between the Policy and MFDA Rules. However, since the Policy is intended to set out a fulsome outline of Member obligations with respect to account supervision and there is no inconsistency in the noted duplication, the language of the section has not been amended.

(c) Evidencing Other Material Changes (section 6)

IFIC, SSI and Canfin recommended removal of section 6 that sets out requirements for evidencing material changes other than those referred to in the definition of 2.2.4(a) as they do not necessitate written client confirmation. IFIC and Canfin suggested that these changes should be addressed by the Member's internal risk management policies and not be the subject of MFDA regulation.

MFDA Response

Section 6 is intended to reference changes to client information other than changes to client name, address and banking information. Section 6 is intended to be limited to material changes as defined in Rule 2.2.4(a) and has been amended to clarify this requirement.

(d) Timeline for Approval of Material Changes (section 7)

IFIC and Canfin commented that the recommended timeframe for approval of material changes is unrealistic and suggested modifying the timeframe to "within a reasonable time, but in any event no later than the time of the next trade."

MFDA Response

The timeline proposed for approving material changes in client information (within one business day after the date on which notice of the change is received from the client) is reasonable and appropriate. Material changes that may impact on the suitability of investments in the account should be reviewed and approved in a timely manner. Further, the timeline required for the approval of material changes in client information is consistent with the timeline to review the suitability of investments in the account (i.e. no later than one business day after the date on which notice of the change in information is received by the client).

(e) Requirement to Provide Current KYC Information (section 8)

IFIC and SSI recommended removal of the requirement to provide clients with all KYC information for the account where any material changes are made, suggesting that these changes should be subject to Members' internal risk management controls and not MFDA regulation.

MFDA Response

This section of the Policy has been amended to more specifically require that the client be provided with a document or documents specifying current risk tolerance, investment objectives, time horizon, income and net worth where material changes are made. This disclosure is necessary to demonstrate to the client how the information change has been recorded and to ensure that they understand the basis on which their account will operate and recommendations will be made going forward.

(f) Requirement to Record Date KYC Updated/Confirmed (section 9)

IGM recommended that the requirement for the Member to track the date of the last update or confirmation of the KYC information be amended to accommodate Members that have a practice of periodically confirming current KYC on a negative confirmation basis.

SSI noted that it is very difficult to track when certain KYC information is updated and that a requirement to do so would not warrant the cost.

MFDA Response

Members are required to record the date on which the client or the Approved Person took positive action to confirm that the KYC information is up to date. In accordance with the requirements of Policy No. 2, confirmation must be evidenced by client signature or by maintaining notes in the client's file with details of the client's instructions and providing the client with the opportunity to make corrections to the changes made.

With respect to the suggestion that the Policy be amended to accommodate periodic confirmation of KYC on a negative confirmation basis, MFDA Rules already accommodate this practice. Members are not prohibited from tracking the dates on which negative option confirmations have been sent to clients in routine mailings. However, unless the Member receives a positive confirmation from the client that the KYC information has either changed or not changed, Members should not be recording the dates on which negative confirmations have been sent to clients as the date upon which the KYC information was last updated or confirmed in accordance with Policy No. 2.

With respect to the comment that it is difficult to track when certain KYC information is updated, the proposed requirement is intended to apply only to material changes in client information. It is important to track updates to KYC information in order to maintain an audit trail for legal and regulatory purposes.

10. Client Communications – Hold Mail

IFIC and Canfin recommended removal of this section as hold mail requirements should be subject to Members' internal risk management controls and not MFDA regulation.

Assante indicated that, since there are occasions where clients may request to have mail held for periods longer than six months, this timeframe should be flexible to allow Members to have discretion.

MFDA Response

With respect to hold mail requirements, MFDA staff has identified significant risk of fraud arising from clients not receiving copies of their statements directly. Accordingly, the current requirement seems appropriate as it balances client protection with practical considerations. In addition, this is not a new requirement and Members are currently required to comply with these timeframes.

11. Assessing Suitability of Investments and Leveraging Strategies (Section 3)

(a) Obligation to Determine Suitability where Member not Involved in Leverage Strategy

IFIC and Canfin suggested that the Rule be clarified to state that, whenever the client is using a leverage strategy and is unwilling to provide the required documentation, the Member's responsibility is limited to the request for the loan amount.

RMFI commented that, in cases where the client acted on its own to employ a leveraging strategy without the recommendation or involvement of the Member, the Approved Person's and Member's responsibility should reflect such limited involvement and be limited to assessing the suitability of the investments while knowing that the investments are leveraged. RMFI recommended that, in cases where the Approved Person has recommended a leveraging strategy but does not participate in obtaining the loan, the Approved Person and Member be responsible for ensuring that such a recommendation is suitable in light of the client's KYC information (i.e. risk tolerance). RMFI expressed the view that, in both these cases, recording the amount of the loan is sufficient to enable the Approved Person and the Member to determine the suitability of the investments based on the knowledge that the investments are leveraged. RMFI indicated that assessing the suitability of a specific loan based on limited knowledge and information is inappropriate and may in fact be incorrect and give clients a false sense of security regarding their credit situation. Where the Approved Person participates in the loan application process, RMFI expressed the view that it is reasonable to require the Member to maintain copies of the loan application.

RMFI suggested that, similar to the disclosure that is proposed in Rule 2.2.5 with respect to the relationship disclosure requirements, the Member should be required to disclose its involvement in the loan process, if any, and disclose that the loan itself has not been assessed for suitability.

SSI recommended that the Rule be clarified to note that the requirements of this section are applicable only to open accounts of clients.

MFDA Response

If a leverage strategy is not recommended by an Approved Person but the Approved Person becomes aware the client is using borrowed funds to invest and the client refuses to provide the required documentation, the Member and the Approved Person are responsible for requesting that the client provide information regarding the loan amount, interest rate and payment requirements. All such information is pertinent in assessing whether leveraging is suitable for the client. Where a recommendation to borrow has been made and the Approved Person assists the client in obtaining financing, the Member or Approved Person must maintain a copy of the loan documents.

Where a client has acted on his or her own to employ a leverage strategy and the Member or Approved Person becomes aware of it, the Member and Approved Person are responsible for assessing both the suitability of the investments and the suitability of the leveraging strategy. Members and Approved Persons are responsible for acting in the best interest of clients and providing advice based on all essential facts pertinent to the client. If a Member or Approved Person becomes aware that a client has used borrowed funds to invest and determines that the strategy is not suitable or is not consistent with the client's KYC information, the Member and Approved Person have an obligation to inform the client of this fact.

The general requirements of the Policy with respect to assessing suitability of leveraging and maintaining documentation or making sufficient inquiries where leveraging is recommended is generally applicable to both registered and open accounts. The guidelines set out in MR-0069 with respect to specific criteria that should be considered when assessing suitability of leveraging are not intended to apply to loans obtained for the purpose of investing in a registered plan.

(b) Obtaining Details of Loan

BMO commented that clients may express privacy concerns with respect to disclosing the specifics of a loan obtained at another financial institution. BMO also noted that requiring the client to deliver loan documentation could mislead the client into believing that the Member is somehow overseeing or vetting the terms of the loan on the client's behalf, an impression that may be heightened in the case of Members that are also bank dealers and related to the lending institution. BMO stated that this may expose the Member to client complaints or requests for restitution if the client is forced to default, if the loan is called or if the loan documents contain an unfavourable provision of which the client later becomes aware. BMO added that, if bank dealer

Members assert any sort of ownership or control over the loan documents, it may weaken the Member's ability to effectively convey that it is a separate legal entity from the bank.

MFDA Response

With respect to Members that are owned by or affiliated with banks, we understand that these organizations generally obtain client consent to share information among the entire corporate group. If the Approved Person became aware of a client borrowing from another financial institution, the Approved Person could either request the loan documentation or request information regarding the loan including the amount, interest rate and payment requirements.

(c) Obligation to Obtain Copies of Loan Documents

IGM agreed that Members should capture details of any loans used to finance investments through the Member where they are aware of the loan arrangement but expressed the view that this obligation should not extend to obtaining copies of the actual documents.

MFDA Response

The Member is only required to maintain copies of lending documents (including the loan application) where the Member or Approved Person has assisted the client in completing the loan application. Where the Member or Approved Person does not recommend leveraging but becomes aware of client's use of borrowed funds to invest, the Member or Approved Person can either obtain a copy of the loan documentation or request pertinent details with respect to the loan.

(d) Communication of Criteria to Salespersons and Relevant Employees (section 4)

IGM recommended that the requirement for Members to advise their registered salespersons and relevant employees of their criteria for selecting trades for review be amended to clarify that only a general description is required.

PFSL noted that it is inappropriate to share detailed information regarding how supervisory and disciplinary systems are applied as, in some cases, it may result in the salesperson altering behavior in an attempt to circumvent controls.

MFDA Response

It must be clear and transparent to salespersons what the Member's suitability guidelines are. For example, Members who use a percentage method to capture client risk tolerance may set a standard that advises Approved Persons that any trade that would result in the portfolio exceeding 10% of the standard risk tolerance may be considered unsuitable and would be identified for review and inquiry. It is not expected that detailed supervisory procedures be communicated to Approved Persons but rather information regarding the types of trades that will result in suitability concerns, the inquiry process and disciplinary process where issues are not addressed.

(e) Timeline for Suitability Assessment (section 5)

IGM expressed the view that the timeline to perform the suitability assessment should be simply at the time of the next trade and that the reference to "within a reasonable time" should be removed.

MFDA Response

Policy No. 2 requires the Approved Person to assess the suitability of investments in each client account within a reasonable time, but in any event no later than the time of the next trade. The determination of reasonable time in a particular instance will depend on the circumstances surrounding the event giving rise to the requirement to perform the suitability assessment. The Proposed Amendment is intended to ensure that a suitability review is performed as soon as reasonably possible following the trigger event. If the timeline for review was based solely on the timing of the first trade in the account after the transfer, there would be no change to the frequency of suitability assessments required currently under MFDA Rules.

(f) Identification of Unsuitable Investments (section 6)

IFIC expressed the view that the requirement to proactively provide a recommendation where unsuitable investments are identified in an account is excessive, particularly in a customer-directed channel. IFIC recommended that the Member's responsibility should be limited to advising the client that the investment(s) is/are unsuitable.

MFDA Response

Members and Approved Persons are responsible for acting in the best interest of clients and providing advice based upon all essential facts pertinent to the client. If a Member or Approved Person determines that the client's portfolio is not suitable or in keeping with the client's KYC information, the Member and Approved Person have an obligation to inform the client of this fact and provide recommendations to rebalance the investments in the account. If the client does not choose to follow the recommendations of the Approved Person, the Approved Person should document the advice given, as well as the fact that the client declined to follow the advice.

(g) Maintaining Evidence of Suitability Assessments and Follow-up Action (section 7)

PFSL noted that it agrees with the importance of maintaining such evidence but believes that this requirement would be best framed in a way that allows dealers to establish processes and procedures for the retention of this evidence as well as the manner in which such evidence is to be maintained.

MFDA Response

This section does not specify processes and procedures for the retention of the required information or the manner in which it is to be maintained, so long as it is done in accordance with Rule 5 (Books, Records & Reporting).

12. Branch and Head Office Supervision Requirements – General Comments

(a) Need for a Principles-Based Approach/More Flexibility

A number of commenters recommended adopting a less prescriptive and more principles-based approach to account supervision. It was suggested that a more practical approach is to set out principles for account supervision and allow Members flexibility to develop systems that effectively supervise accounts and manage risk.

IFIC, SSI and Canfin recommended directional, but less prescriptive, requirements based on sampling.

IFIC and the Federation also suggested that the new requirements do not take into account the growing activity through the call center or internet distribution channels and stated that the MFDA's model of a branch with a branch manager is dated. IFIC and the Federation were of the view that, in this respect, the Proposed Amendments fall short of providing flexibility in the supervision structure and the way supervision is conducted.

Worldsource stated that advances in technology and operating systems make it possible for exception-based single-tier supervision of unsuitable trading and unusual trading activity. It was recommended that Members have flexibility to use technology to efficiently supervise and manage risk in a manner consistent with the core principles of detecting unsuitable trading and unusual trading activity. Worldsource suggested that the Policy be flexible and permit migration to a single tier, exception-based supervision of trading. IPG commented that it is possible, using technology, for all daily trade suitability reviews to be performed in a location other than the branch office and that Members should have this flexibility. Worldsource also suggested that the standards prescribed in Policy No. 2 with respect to account supervision will rapidly become obsolete and irrelevant to many Members.

RMFI suggested that Members be permitted to develop alternative, more comprehensive ways to conduct branch office supervision. For example, RMFI indicated that technological solutions have been developed for real-time monitoring of suitability at the point of sale that would render the prescriptive requirement to review suitability on the following day unnecessary. RMFI also suggested that Members be required to tailor their sampling to reflect their business risks (considering product offering, sales force structure, technology, etc.) as opposed to following fixed sampling thresholds that may not be practical in all cases.

IGM suggested that the MFDA establish general binding parameters as to its expectations of Members supplemented by non-binding guidelines from MFDA staff setting out how Members can meet these obligations.

MFDA Response

As noted above, certain regulatory requirements were more principles-based prior to the development of the Proposed Amendments. Where MFDA staff has prescribed requirements in greater detail, for example, with respect to the trade review thresholds proposed in Policy No. 2, this has been in response to requests for more direction from Members. In addition, the prescribed requirements address compliance issues identified during reviews of our Members' branch supervision procedures and the issues identified by MFDA enforcement staff while assessing and investigating cases.

In developing the trade review thresholds, MFDA compliance staff examined the review thresholds currently used by Members and determined that 80% of Members are already conducting the proposed types of trade reviews.

MFDA staff encourages the use of technology by Members to implement alternatives that meet or exceed the minimum standards set in the Policy, such as real-time monitoring of suitability at the point of sale. Staff notes; however, that the majority of Members have not yet adopted such technology.

With respect to the recommendation that the MFDA establish a combination of binding parameters and non-binding guidelines, the current MFDA Rulebook uses a combination of prescriptive and principles-based approaches. The approach adopted in a particular area depends on the regulatory concerns being addressed.

(b) Harmonization with IIROC

IGM noted that many financial service providers have both MFDA Member dealers and IIROC dealers and that there is little harmonization between MFDA Rules and IIROC Rules regarding suitability assessment and branch and head office oversight. IGM commented that, if adopted, the MFDA approach will be more prescriptive and detailed than IIROC's, since it has adopted a more principles-based direction over the last few years.

MFDA Response

With respect to the comment that the MFDA and IIROC have different approaches to suitability and head office oversight regulation, it is noted that IIROC Policy No. 2 has been a requirement since 1993. As such, IIROC Members are familiar with their obligations and are accustomed to complying with the Policy as they have been subject to numerous compliance reviews since the Policy has been adopted. On the other hand, the MFDA has only recently completed its second round of compliance reviews. As noted above, the issues identified through these reviews indicated that a more prescriptive approach was appropriate for MFDA Members.

13. Branch Manager Daily Review

(a) Alternate Branch Managers

IPG expressed concern that alternate branch managers only manage in the absence of the primary branch manager and that, as a result, the alternate branch manager would not necessarily be using the required and ongoing training and experience that is required to perform daily trade reviews. It was suggested that the amendments should allow alternate branch managers to perform the daily trade reviews of trades of the producing primary branch manager and vice-versa to ensure that both perform supervisory duties daily.

MFDA Response

Cross-reviews between alternate and producing branch managers are permitted, but these reviews are considered branch office reviews (tier 1) and are not a substitute for head office review and assessment (tier 2).

(b) Initial Trades

IGM commented that the requirement to review all initial trades is excessive and that there is no reason to single these trades out as a separate part of an integrated trade review process.

MFDA Response

Members of the MFDA's Policy Advisory Committee suggested, and MFDA staff agrees, that including this requirement is useful and appropriate. The branch manager is currently required to review and approve new accounts and, as such, MFDA staff believes that the requirement to review all initial trades is not onerous. In addition, a review of all initial trades in new accounts is an existing requirement under Policy No. 2.

(c) Trades in Exempt Securities

IFIC, SSI, BMO and Canfin expressed the view that the inclusion of GICs as exempt securities requiring review seems unnecessary and has not been explained.

MFDA Response

This inclusion of GICs as exempt securities requiring review was a drafting oversight. Accordingly, this section of the Policy has been amended to clarify that exempt securities do not include GICs.

(d) Leveraged Trades/Leverage Recommendations/Accounts with Power of Attorney

IFIC, IGM and Canfin expressed concern that there is limited ability for branch managers to track leverage recommendations. It was submitted that the requirement to review leverage recommendations for open accounts should be removed since the recommendation, unless and until executed, will not appear in a summary of trading activity.

IFIC and SSI recommended adding "If provided," to the requirement to review the "trades in accounts of family members of registered salespersons operating under a power of attorney in favour of the registered salesperson".

PFSL expressed concern that limiting reviews of accounts operating under power of attorney to those of family members of registered salespersons may insufficiently protect certain investors, noting that regardless of the relationship between the salesperson and the client, the potential for abuse exists when the salesperson is entrusted with power of attorney or limited trading authority. PFSL suggested that the phrase "of family members of registered salespersons" should be removed so that situations with similar potential for abuse receive similar degrees of scrutiny.

MFDA Response

Members are only expected to review leverage recommendations made by their Approved Persons where the client takes steps to execute such recommendations (i.e. where the Approved Person has received documentation indicating an intention to proceed with the recommendation). As a best practice, Members should also review leverage recommendations prior to the client obtaining the borrowed funds in light of the difficulty in unwinding such arrangements.

The requirement to review accounts operating under a power of attorney applies to limited cases where an Approved Person holds a power of attorney for a client who is an immediate family member and does not extend to every account operating under a power of attorney. This is a limited exception to the general prohibition on Members and Approved Persons accepting power of attorney from clients in Rule 2.3.1. MR-0031 sets out compliance controls that must be complied with where this exception is relied upon.

(e) Trades over $1,000 in Moderate-High/High-Risk Investments

IFIC and PFSL expressed the view that the $1000 trade review threshold for moderate-high or high-risk investments is arbitrary and unexplained. IFIC stated that threshold levels will become obsolete in time and should not be prescribed by a Rule. SSI noted that the number of moderate-high-risk investments (using standard deviation measures) is vast and may lessen the intended impact of the Rule.

IGM also disagreed with the $1,000 trade review threshold and recommended that Members be given flexibility to determine which trades in moderate-high or high-risk investments should be reviewed. IGM suggested that if a specific threshold is maintained, it should be higher than $1,000.

Assante expressed the view that requiring branch managers to review all trades over $1000 in moderate-high or high-risk investments is a considerably low threshold and will most likely not result in identifying a greater number of unsuitable trades. Assante indicated that previous guidance was provided to include a minimum threshold of $2,500 which it has found to be highly effective in its branch trade surveillance.

MFDA Response

The concerns of the commenters with respect to the $1,000 threshold for moderate to high-risk investments are acknowledged and, accordingly, the threshold has been increased to $2,500. The thresholds will be reviewed from time to time to ensure that these limits remain relevant.

14. Review of Redemptions

(a) Suitability of Redemption with regard to the Composition of the Remaining Portfolio

IFIC, SSI and Canfin recommended changing the requirement to assess "the suitability of the redemption with regard to the composition of the remaining portfolio" to read "the suitability of the portfolio at the time of the next trade, if, after a redemption, the composition of the portfolio does not match the KYC."

MFDA Response

If a redemption and subsequent withdrawal results in the investments in a client's account becoming unsuitable, the impact of the redemption must be discussed with the client prior to the redemption. If the assessment was done at the time of the next trade, the portfolio may be inconsistent with the KYC information for a significant period of time.

(b) Impact and Appropriateness of any Redemption Charges

With respect to the requirement to assess "the impact and appropriateness of any redemption charges", IFIC, SSI and Canfin recommended clarifying the term "appropriateness" of redemption charges and recommended adding "excessive" before the words "redemption charges".

PFSL commented that the current wording of this section may represent an excessive requirement for branch managers, as redemptions may occur without the representative being directly involved. PFSL recommended that transfers of assets to another dealer or transactions completed at the fund manager level by the client not fall under this requirement and suggested that the section be revised to clarify that the requirement only applies to branch managers when the representative is directly involved in the redemption prior to its completion.

IGM expressed the view that the requirement to assess the impact and appropriateness of any redemption charges is best conducted as part of the trend review process at head office as opposed to the daily review at the branch office.

MFDA Response

The requirements of this section are not intended to address only activities that are engaged in for the exclusive purpose of maximizing economic benefit to the Approved Person (i.e. churning), but are also intended to capture other inappropriate redemption charges arising from matters such as Approved Person error. In addition, it is noted that redemption charges do not have to be excessive to be inappropriate.

It is acknowledged that the requirement to assess the appropriateness of the redemption should be limited to circumstances where the Approved Person is directly involved in the redemption.

Review at both the branch and head office levels is necessary to ensure adequate assessment of the impact and appropriateness of redemption charges. Head office reviews are performed using higher dollar thresholds and thus do not duplicate the review performed at the branch office level. The more detailed branch office review provides an added check to identify errors that may not be apparent through the head office review.

(c) Identification of Possible Outside Business Activity

IFIC, SSI, BMO and Canfin recommended removal of the requirement to assess "possible outside business activity where money may be leaving the Member for reinvestment into other potentially inappropriate or unauthorized investments". These commenters expressed the view that monitoring subsequent purchases at another firm is not appropriate and not a duty that a branch manager can or should assume. BMO added that, upon client transfer to another institution, it is not uncommon for the trade to be initiated by that institution and processed through the Member's back office without any involvement from the Member's branch. While the transfer-out would appear on the trade review report, the other institution or the investments being transferred into would not be identified. Further, BMO noted that this provision assumes that the branch manager will be sufficiently familiar with the investment product being transferred into the account to determine whether it is inappropriate for the client. IFIC, SSI and BMO commented that this requirement is too vague and may not be enforceable.

MFDA Response

This section does not require branch managers to monitor subsequent purchases at another firm. Significant redemptions in a client's account where funds are leaving the Member may either result in the account falling out of line with the investor's stated risk tolerance/investment objectives or may indicate that the Approved Person is engaged in an outside business activity of which the branch manager should be aware.

The branch manager should seek to determine if the client's KYC information has changed and, if it has not, assess the impact of the redemption on the client's account in relation to both the investments remaining in the account and the existing KYC information. Similarly, if information with respect to where the funds will be invested can be obtained, the branch manager should seek to assess the suitability of the proposed new investments in relation to the investments remaining in the client's account and the existing KYC information.

(d) Identification of Possible Churning

IFIC, SSI and Canfin expressed the view that the requirement to identify potential churning requires trend analysis (as described in Section VI) and may not be apparent through review of daily trades and recommended removal of this requirement.

MFDA Response

The Policy has been amended to clarify that the requirements of this section contemplate a monthly or quarterly rather than daily review of trades to identify potential churning activity.

15. Branch Manager Assessment of Suitability where Material Change in KYC Information

IFIC, PFSL and SSI recommended removal of the requirement for the branch manager to assess investment suitability upon a material change in the client's KYC information as it is already assessed at the advisor level. PFSL noted that such review could be duplicative and stated that, in situations where the advisor has conducted a suitability assessment following a material change, a secondary review by the branch manager should only be required where the advisor's assessment does not receive approval.

In addition, PFSL expressed the view that the inclusion of the one-business-day deadline for the suitability assessment is arbitrary and unnecessarily prescriptive. PFSL noted that, since the situation described is not actually a transaction, a pressing material risk may not exist at the time the Member becomes aware of a material change and, as a result, this provision should be revised so that the assessment is performed "promptly or within a reasonable time".

IGM commented that branch managers are already required to approve changes to KYC information and that requiring a suitability review as well would prove onerous without a commensurate benefit and may divert time from more useful oversight activities.

MFDA Response

In response to the comments, the Policy has been amended to require the branch manager to perform a suitability review on a sample basis where a material change results in a significant decrease in the client's risk tolerance, time horizon, income or net worth or more conservative investment objectives. In addition, the requirement for head office to perform a suitability assessment on a sample basis where there is a material change in client information has been removed.

16. Head Office Supervision Requirements

(a) Head Office Daily Reviews

IGM commented that the proposed changes to the head office review requirements largely duplicate the reviews done at the branch level, although with some higher thresholds. IGM expressed the view that this is not an effective use of head office resources that would be better directed at supplementing what the branch manager is doing (such as the excessive switching and churning reviews). IGM recommended that, if the requirements are retained, the thresholds be increased.

IPG sought clarification with respect to the suitability reviews required by head office and suggested that the review should focus only on exceptional trades of concern, such as out of province trades, exempt products, leveraging reviews and sample branch manager trades and that general trade suitability should be left under the sole responsibility of the branch office.

BLG commented that the requirement to review all trades over $5,000 for all exempt securities, regardless of their nature, risk characteristics or their issuer may be burdensome for dealers whose clients have and trade significant positions in investments issued or guaranteed by Canadian governments and their agencies (for example, Canada Savings Bonds) or financial institutions regulated by the Office of the Superintendent of Financial Institutions (for example, GICs). The commenter suggested that these types of investments be explicitly excluded from this requirement.

Assante commented that, in difficult market times, many clients switch into money market funds for safety. It recommended that money market funds be exempt from reviews in redemptions greater than $10,000.

With respect to the daily review requirement for trades over $10,000 in other investments (excluding money market funds), SSI noted that if money market funds are excluded than GICs and cash transactions should also be excluded.

MFDA Response

With respect to comments indicating that the proposed head office reviews are duplicative of those performed at the branch level, it is noted that head office reviews are intended to detect unsuitable investments and excessive trading and serve the purpose of exercising effective oversight of branch office operations. Higher trade thresholds and sampling of suitability of investments on a transfer-in of assets allow such reviews to be less detailed than those required at the branch level, while still being effective as an oversight review for unsuitable investments and excessive trading.

The reference to exempt securities in the Policy was not intended to include GICs and has been clarified. The Policy has also been amended to revise the $10,000 threshold in respect of low risk investments to $50,000.

(b) Suitability Review of Accounts where Assets Transferred in/Material Changes to Client Information

IGM recommended deleting section 5 that imposes an obligation on Members to review the suitability of investments in an account on a sample basis where assets have been transferred into an account or where there is a material change in client information. IGM commented that this obligation should only be triggered where a trade has occurred.

Assante expressed the view that it is excessive to require the salesperson, branch manager and head office to review an account for suitability if there is a material change in a client's KYC form. It indicated that this review is currently the branch manager's responsibility and suggested that head office should not be required to examine such accounts.

BMO expressed the view that this requirement seems redundant given that the MFDA also intends to prescribe trade review thresholds for all transactions. BMO questioned the added value of sampling transfer-ins that fall outside the standard trade review process, unless a transfer-in, leveraged trade or account with a power of attorney meets the daily trade review filtering criteria (which will include higher-risk investments and exempt securities).

In addition, BMO noted that sampling trades "where there has been a material change in client information" is not possible given the definition of material change in client information in Rule 2.2.4. BMO submitted that the definition refers to information "that could reasonably result in changes" to certain KYC information. BMO added that, unless there is an actual material change to the KYC information and the resulting transaction meets the filtering criteria, the trade would not be picked up on the trade review report. BMO also noted that the reference to "products not normally sold by the Member" in this section is not helpful as a trade reviewer cannot be expected to determine on a case-by-case basis whether a particular product is normally sold across a large sales force.

MFDA Response

As noted above, the Policy has been amended to remove the requirement for head office to perform a suitability assessment on a sample basis where there is a material change in client information. With respect to the transfer-in of assets, Approved Persons are required to perform a suitability review but there is no requirement for branch manager review. Accordingly, it is appropriate that head office perform a suitability review on a sample basis where clients have transferred assets into the account as part of their oversight function to ensure that the suitability reviews have been performed properly.

With respect to comments indicating that the sample-basis head office review should not be required unless triggered by trade, it is not appropriate to wait until a trade has occurred to assess suitability in these circumstances. Where an individual transfers assets into an account at a Member and becomes a client of the Member, the Member is earning compensation and has a responsibility to provide financial advice and assess whether the assets transferred in are suitable for the client. With respect to comments indicating that the proposed sample-basis head office review seems redundant given the proposed trade review thresholds, we note that the trade review thresholds have been amended and, as a result, the Policy does not require the review of all trades.

As noted above, the definition of material change has been amended to delete the reference to "that could reasonably result in changes".

With respect to the comment indicating that the reference to "products not normally sold by the Member" is not helpful in light of the volume of products sold across a large sales force, we note that we have deleted the reference to "normally". To the extent that an asset is transferred into a client account which is not sold by the Member, this should be easily determined.

(c) Identification of Trends in Trading Activity – General Comments

PFSL noted that this section is unnecessarily prescriptive and, given the operational diversity among Member firms, each company should be entrusted to design methods for addressing risk with respect to churning that are appropriately designed for their operations.

MFDA Response

Under Member Regulation Notice MR-0065 – Churning ("MR-0065"), Members are advised to have policies and procedures to detect instances of churning or excessive trading and properly address these situations. Members should also generate and review reports showing trading and commission trends on a periodic basis (generally monthly or quarterly, taking into consideration the Member's trading volume). MFDA staff has received inquiries from Members requesting more detail in respect of the policies and procedures that would be appropriate under MR-0065 and the Proposed Amendments have been developed in response to such requests. If a Member has a specific business structure in which the risk of churning is not present (e.g.

where Approved Person is compensated exclusively on a salary basis), the review of accounts generating more than $1,500 within the month and the quarterly review of commission reports would not apply. However, the requirement to perform trend analysis and quarterly reviews of assets under administration ("AUA") reports would still be applicable.

(d) Review of Accounts Generating Commissions Exceeding $1,500 per Month

IFIC and Canfin suggested that the main objective of the requirement to review all accounts generating commissions of more than $1,500 within the month is to monitor accounts where excessive trading has occurred for the sole benefit of the registered representative. It was noted that a $1,500 commission may be produced by one $30,000 trade. IFIC also suggested that, in instances of high market volatility, it may be prudent for registered representatives to rebalance their client's portfolios and minimize risk levels and, in such cases, increasing the volume of trading is in the best interests of the client. IFIC and Canfin expressed the view that the requirement will generate an excessive number of false positives, each of which will require time to review. IFIC and Canfin recommended increasing the threshold to $3,000 to correspond with IIROC Rule 2500 IV (B).

The ACCP expressed the view that review requirements for all accounts with more than five trades per month and accounts generating commissions greater than $1,500 will result in an unnecessarily high number of exceptions to be reviewed. It indicated that accounts with more than five trades and more than $1,500 in commissions per month are not outside the realm of normal trading patterns, especially during RRSP season. The ACCP suggested that Members be permitted to establish their own thresholds based on their specific dealer models. If thresholds are prescribed, the ACCP recommended that these thresholds be increased to $2,500 in commissions and five purchases per month per account.

IGM recommended that the requirement to review all accounts generating commissions greater than $1,500 per month be removed. IGM expressed the view that this reporting is of very limited use and general commission trend monitoring, which is captured in other items in the section, is more effective.

MFDA Response

The $1,500 threshold is intended to recognize the fact that, based on data provided by large mutual fund dealers, the dollar value of the average mutual fund trade is generally quite low. In addition, unlike equities traded by IIROC Members, mutual funds are generally long-term investments that should not, in the normal course, be frequently traded and thus should not generate commissions higher than $1,500 within one account in a month.

With respect to the suggestion that the review threshold be increased to $3,000 to correspond to IIROC Rules, it should be noted that IIROC Rule 2500 requires branch office review of all client statements that produced commissions of $1,500 or more for the month as well as head office review of all client statements that generated more than $3,000 in commissions during the month. Given that head office is required to perform a quarterly trend analysis of commissions and AUA under MFDA Policy No. 2, it appeared more appropriate to have head office perform the monthly commission review of accounts generating commissions greater than $1,500 and unnecessarily duplicative to have it performed at the branch level. However, Members may choose to adopt IIROC's two-tier review as an alternative approach to meet the minimum standards of Policy No. 2, provided they have controls and procedures in place to ensure that commission reviews are implemented at the branch level.

The section that refers to an account review where there are more than five trades per month is merely intended as an example of a procedure to identify excessive trading or switching between funds and has been included to provide guidance to Members.

The review of all accounts generating commissions exceeding $1,500 per month is required on a monthly basis to allow for a more timely review than commission trend monitoring that is required on a quarterly basis.

(e) Revenue versus Commissions

With respect to the review of commission reports to detect potential inappropriate conduct, BMO noted that Members compensate their sales force using means other than traditional commissions. BMO noted that mutual fund salespersons of bank-owned Members are salaried employees with various incentive pay arrangements that do not fit within the traditional commission structure and that commissions cannot be carved out from the salesperson's overall pay. BLG reiterated these comments, submitting that it may be more appropriate to consider "revenue" in section 2 under "Identification of Trends in Trading Activity" as opposed to "commissions" alone in order to capture all types of remuneration.

MFDA Response

The purpose of the requirement is to identify trading activity or strategies that are being engaged in exclusively for the purpose of maximizing the economic benefit to the Approved Person. Although a review of commission reports would not be applicable to Approved Persons who are salaried employees, the review of AUA reports as required under Section 2 of Part VI of the Policy would apply.

(f) Excessive Trading

RMFI suggested that the MFDA clarify the term "excessive trading" and questioned whether it refers to churning or short-term trading.

IGM suggested that the requirement to review trends to identify excessive trading or switching should be amended to require a review where trading takes place on five different days in a month as opposed to where there are more than five trades in a single month.

MFDA Response

"Excessive trading" is not intended to refer exclusively to one type of activity and can be an indicator of a number of potential problems including, as noted, unauthorized trading, lack of suitability or churning. Excessive trading would also include short-term trading, to the extent that such trading is inappropriate or an indicator of potentially inappropriate activity in the specific circumstances.

As noted above, the reference to five trades per month has been included for the purpose of providing guidance to Members and is intended only as an example.

(g) Head Office Supervisory Reviews to Be Completed in 21 Days

IFIC noted that increased supervision requirements make meeting review checks within 21 days impractical and recommended a 30-day requirement. IGM recommended clarification that not all issues must be resolved within the 21-day period.

MFDA Response

The Policy has been amended to require that reviews be completed within 30 days of the last day of the period being reviewed.

This section is not intended to require that all issues be resolved within the prescribed period, but Members must have a plan in place to address the identified issues.

17. Transition Periods

A number of commenters noted that the proposed changes would require significant development time for systems changes, new documentation and retraining and restructuring at all levels including representatives, branch managers and administration. IGM also noted that the required transition time will be highly dependent on other businesses in the financial services industry, in particular mutual fund manufacturers and back office system service providers that will be providing necessary data for Members to meet the proposed performance reporting requirements.

IFIC, SSI and Worldsource recommended an 18-month transitional period for the implementation of amendments relating to suitability assessments triggered by certain events. PFSL commented that a transition period of up to two years might be necessary and noted, by way of example, that the shift from transaction-level to account-level suitability assessments represents a substantial change that will be accompanied by an equally substantial effort to establish corresponding compliance structures.

RMFI suggested a minimum 12-month transition period to allow Members time to become fully compliant with the new requirements. The ACCP suggested the following specific transition periods: (i) where systems must be developed, a one-year period; (ii) where Members must develop forms, policies, procedures and implementation plans, a 15-month period; (iii) where systems must be developed for new accounts, KYC and other account documents, one year from the first trigger (trade, transfer, reassigned Approved Person or material change); and (iv) where Members must develop forms, policies, procedures and implementation plans for new accounts, KYC and other account documents, a 15-month period from the first trigger (trade, transfer, reassigned Approved Person or material change).

MFDA Response

MFDA staff is aware that systems changes may be required to implement the Proposed Amendments and will carefully consider comments received to ensure that transition periods allow sufficient time for the implementation of any such changes.

13.1.5 Summary of Public Comments Respecting Proposed Amendments to MFDA Rule 5.3 (Client Reporting) and MFDA Rule 2.8 (Client Communications)

SUMMARY OF PUBLIC COMMENTS
RESPECTING PROPOSED AMENDMENTS TO MFDA RULE 5.3 (CLIENT REPORTING) AND
MFDA RULE 2.8 (CLIENT COMMUNICATIONS)

On June 13, 2008, the British Columbia Securities Commission published proposed amendments to MFDA Rule 5.3 (Client Reporting) and MFDA Rule 2.8 (Client Communications) (the "**Proposed Amendments**") for a 90-day public comment period that expired on September 11, 2008.

11 submissions were received during the public comment period:

1. Advocis
2. Assante Wealth Management ("Assante")
3. Canfin Financial Group ("Canfin")
4. Federation of Mutual Fund Dealers ("Federation")
5. IGM Financial Inc. ("IGM")
6. Independent Financial Brokers of Canada ("IFB")
7. The Investment Funds Institute of Canada ("IFIC")
8. Kenmar Associates ("Kenmar")
9. Primerica Financial Services (Canada) Ltd. ("PFSL")
10. Royal Mutual Funds Inc. ("RMFI")
11. Scotia Securities Inc. ("SSI")

Copies of comment submissions may be viewed on the MFDA's website at: www.mfda.ca.

The following is a summary of the comments received, together with the MFDA's responses.

1. GENERAL COMMENTS

Industry Involvement in Proposed Amendments

Advocis recommended involving industry stakeholders at an early stage of the policy development process. Advocis noted that regulatory actions are often predicated on MFDA findings resulting from compliance reviews and commented that involving stakeholders upon first identifying a problem would result in better two-way communication, greater discussion about the nature of the problem, plausible corrective actions and greater buy-in from stakeholders when a course of action has been determined.

MFDA Response

Over the past three years, MFDA staff conducted numerous consultations with industry stakeholders on the Proposed Amendments. These consultations were conducted through the MFDA Member Regulation Forums, meetings of the MFDA Policy Advisory Committee and other ad hoc industry meetings and involved Members, other regulators and industry participants. MFDA Members were also consulted by way of industry subcommittees which were established in 2006 and presented with the original draft of the amendments for comment. In the course of these consultations, many suggestions were brought forward and discussed. Alternative viewpoints and suggestions from Members, regulators and other participants were also discussed at length and input received by MFDA staff was factored into the Proposed Amendments.

Need for Cost/Benefit Analysis

Advocis submitted that a cost/benefit analysis is critical in determining if the benefits to be derived from the proposed regulatory intervention outweigh its costs and that such analysis should have been performed.

MFDA Response

The possibility of conducting a cost/benefit analysis of changes proposed in relation to the Client Relationship Model ("CRM") project was considered and discussed with the industry. Several meetings were held to discuss and agree upon the cost versus benefits survey approach to be pursued. However, no agreement with potential participants was reached regarding the approach to be followed in conducting the analysis.

Many of the Proposed Amendments were developed, in part, to address regulatory concerns identified in the course of the MFDA's regular compliance and enforcement activities. MFDA compliance and enforcement staff has noted inconsistencies and potentially misleading information in performance reports provided to clients directly by some Approved Persons. Some

Members have adopted policies and procedures whereby the Member does not properly supervise performance reports generated by Approved Persons, but simply disclaims responsibility for the content of these reports. Such policies are inconsistent with the business conduct requirements under MFDA By-laws, Rules and Policies. The Proposed Amendments have been developed with the intent of achieving investor protection objectives while taking into account existing operational systems and the costs to change these systems. As noted above, over the past three years, the MFDA conducted numerous consultations with industry stakeholders on the Proposed Amendments and issues of cost to implement the Proposed Amendments were raised and considered. The Proposed Amendments strike an appropriate balance between managing cost considerations and addressing the regulatory issues identified by the MFDA.

Cost to Comply with Proposed Amendments

IGM noted that there will be significant costs associated with acquiring or building systems to comply with the Proposed Amendments as well as ongoing costs of delivering the required information including production and mailing costs. In addition, IGM suggested that there would be significant costs to mutual fund manufacturers to provide the necessary information to MFDA Members to meet the reporting obligations. IGM noted that costs will depend on whether fund manufacturers agree upon a common method of reporting data to Members and to what extent service providers will support that reporting methodology.

MFDA Response

Most Members or their Approved Persons currently provide the information required by the Proposed Amendments and it is not anticipated that there will be a significant systems impact on these Members as a result of the proposals. MFDA staff acknowledges that the systems impact and costs required will be greater for Members that do not presently have the ability to provide the proposed information to clients. As such, the MFDA will provide appropriate transition periods for the implementation of the amendments to Rule 5.3.5 to allow Members sufficient time to comply with the new requirements. MFDA staff notes that the information required in Rule 5.3.5 can be included in the client's account statement thus minimizing additional costs.

Harmonization

A number of commenters noted the differences between the MFDA's Proposed Amendments and those of the Investment Industry Regulatory Organization of Canada ("IIROC") and other regulators, in particular proposals under National Instrument 31-103 *Registration Requirements* ("NI 31-103") and the requirements of the Point of Sale initiative of the Joint Forum. These commenters stressed the importance of harmonization to avoid inconsistency, duplication and overlap for the industry and also to ensure that investors are subject to similar standards of disclosure and protection.

IGM noted that, as many dealers have both an MFDA Member and an IIROC Member, the approach taken by the MFDA and IIROC should be harmonized for a variety of reasons including cost of system development. IGM commented that, although they have concerns with elements of the MFDA approach, it is preferable to IIROC's in that it is less prescriptive in nature.

MFDA Response

The MFDA has and will continue to work with the Canadian Securities Administrators and the IIROC to ensure that, after the primary objective of addressing regulatory concerns identified by the MFDA has been met, registrants are subject to regulatory requirements that are as harmonized as possible. The MFDA and IIROC have adopted different approaches in certain areas that result, in part, from differences in the business of MFDA and IIROC Members and the different ways in which the existing Rules of the two self-regulatory organizations are structured.

2. SPECIFIC COMMENTS

Delivery of Account Statement (Rule 5.3.1)

Need for Personalized Rate of Return Information

Kenmar submitted that the requirement to provide the information set out in proposed Rule 5.3.1 is not sufficient and that clients should be provided with personalized rate of return information based on the Association for Investment Management and Research ("AIMR") or equivalent recognized standards without additional charges or fees. Kenmar suggested that performance should be disclosed for the current year and since account inception, at a minimum, and should be provided on a pre- and post-tax basis. Kenmar expressed the view that such information will result in useful questions being raised, a reduction in complaints and improvement of investor education.

MFDA Response

In drafting the Proposed Amendments, MFDA staff considered the provision of more detailed information including a personalized rate of return. MFDA staff recognized that such a requirement may involve additional costs which would ultimately

be passed on to clients. The Proposed Amendments are intended to ensure that investors receive basic information as to the performance of securities in their accounts. MFDA staff believes that the Proposed Amendments achieve a balance between providing investors with useful information regarding performance and cost considerations.

Content, Format and Methodology

Advocis expressed support for the fact that Proposed Amendments have been drafted with an outcomes-based focus. Advocis noted that Rule 5.3.5 states what must be included in disclosures to clients, yet allows Members to provide the information in a format of their choosing. Advocis welcomed this flexibility as an example that consumer protection need not suffer in an outcomes-based approach to regulation.

IFIC, IGM, SSI and the Federation recommended that flexibility be provided to dealers with regard to the specific information that is to be provided and the methodology. IGM suggested that the regulatory focus should be on ensuring effective disclosure to the client of the method used, with the Member being free to choose an appropriate approach. IFIC and SSI expressed the view that regulation should focus primarily on a requirement that full disclosure be provided to the client (via Relationship Disclosure), on the specifics of the performance information that is provided and how it will be delivered. These commenters recommended that firms be given the freedom to meet their client's needs and suggested that the competitive process determine what information and methodologies will best meet those needs, rather than prescribing them by Rule.

MFDA Response

The objective of the Proposed Amendments is to ensure that all clients of MFDA Members receive basic, core information on an annual basis with respect to the performance of the investments in their accounts. The Proposed Amendments have been drafted to establish minimum standards but also permit flexibility as to how this objective can be satisfied. The MFDA recognizes that Members may adopt alternative measures that meet or exceed the minimum standards in the Rule and will be issuing a Member Regulation Notice to provide more guidance as to how the requirements under the Proposed Amendments may be satisfied. Members may provide percentage rate of return information to clients in accordance with the requirements of Rule 2.8.3 as an alternative to the information set out under proposed Rule 5.3.5(a). Rule 2.8.3 provides Members with flexibility regarding the methodology used provided it is calculated in accordance with standard industry practices and the methodology is explained to the client.

Client Name Accounts

IGM expressed concern that, with respect to client name accounts, there may be difficulty for Members in obtaining the necessary information from fund companies and inquired whether there will be an industry standard format for providing the information. IGM recommended that the Proposed Amendments clarify whether each client name account of a client with different fund companies is to be regarded as separate accounts at the Member or if collectively they are to regarded as one account, with the assumption being that the Member has assigned a single client account number for all such accounts.

Assante expressed the view that there is no distinction in the Rule relating to performance reporting for client name and nominee accounts even though Members may not have access to the information for client name accounts in order to comply with the Rule.

MFDA Response

In situations where a client opens accounts with different fund companies governed by one dealer new account application form, the separate accounts at the fund companies would be considered to be one account at the dealer.

With respect to the issue of access to information for client name accounts to comply with the Rule, we understand that most of the information required by Rule 5.3.5 is available and can be made accessible to Members provided sufficient time is permitted to implement necessary system changes. MFDA staff would be happy to discuss the issue further with individual Members affected by the Proposed Amendments.

Changing "Annual Period" to "Statement Period" (Rule 5.3.5(a)

With respect to Rule 5.3.5(a), IFIC, PFSL and Canfin recommended changing reporting from "annual period" to "statement period" as Member firms may provide this information more frequently than once a year.

MFDA Response

The requirement to provide performance information to clients on an annual basis is consistent with the general industry standard used by most portfolio managers and mutual fund managers to track fund performance on an annual and multiple-annual basis. The long-term nature of mutual fund investments also supports reporting for the "annual period" rather than the

"statement period" and makes the information more useful for the client as it provides a year-to-year comparison of account performance. Members may choose to provide performance information to clients more frequently than annually provided such information is provided on an annualized basis.

"Total Assets Deposited/Withdrawn" (Rule 5.3.5(a)(ii)/(iii)

IFIC, IGM, SSI and Canfin commented that the terms "total assets deposited" or "total assets withdrawn" in Rule 5.3.5(a)(ii) and (iii) are both undefined. These commenters were of the view that prescribing these two data items may not achieve the objectives of the CRM, particularly where firms may already provide performance information that more accurately reflects changes in the account's investments as one combination of these items. The commenters suggested that reporting total assets deposited and withdrawn from the account during the period overstates the true values, particularly if there are switches in the account. IFIC and Canfin suggested that it would be preferable to provide firms with the flexibility to report either a combined net invested amount or separate total assets deposited or withdrawn. PFSL suggested that the reporting requirements would be more effective if Rule 5.3.5(a)(i) and (ii) were amalgamated so that the net amount invested in the statement period is communicated in an easily understandable manner to the client.

MFDA Response

The Proposed Amendments with respect to Rule 5.3.5 were drafted, in part, to address clients' confusion about money that had been withdrawn from and deposited into their accounts over the year. MFDA would consider the disclosure of net amount invested as an acceptable alternative to the requirement to provide total assets deposited and withdrawn.

Total assets deposited and withdrawn would not include switches as money is never deposited or withdrawn from the client's account at the dealer.

Rule 5.3.5 has been amended to include a requirement to provide the gain or loss in the account as at the end of the period covered by the report.

Treatment of Deposit Products

SSI commented that clarification is required to address the treatment of deposit products held in dealer client accounts, such as Guaranteed Investment Certificates ("GICs") or Principal Protected Notes ("PPNs") and asked how accrued interest is to be addressed in determining market values.

MFDA Response

The market value of GICs should be reported as the principle amount plus accrued interest earned as at the end of the account statement period.

With respect to reporting the value of PPNs, certain PPNs have market values that are available on FundSERV. However, for PPNs that do not have a reliable market value, the book value should be reported.

Disclosure of Information not Included (Rule 5.3.5(b)

IFIC, SSI, IGM and Canfin noted that, with respect to the disclosure requirement in Rule 5.3.5(b), there are no existing processes available to document why information is unavailable and costs to develop such systems would be prohibitive.

MFDA Response

MFDA staff is aware that system changes may be required to implement the disclosure requirement in Rule 5.3.5(b) of the Proposed Amendments. This issue will be addressed through the provision of appropriate transition periods.

Section (b) of Rule 5.3.5 would apply specifically to exempt securities such as limited partnerships for which there is no secondary market or readily available market value. If the market value of such securities cannot be readily or reliably determined, the market values must not be included in the report and disclosure of why the information has not been included in the report must be provided to the client. MFDA staff would generally expect a brief statement to the effect that the market value of the security has not been provided because the security is not frequently traded or there is no market value provided by the issuer. Members may want to consider the availability of a market value for a given product prior to selling the product.

Rates of Return (Rule 2.8.3)

Support for Proposed Amendments

Kenmar expressed support for the Proposed Amendments to Rule 2.8.3, which would require Members to approve and supervise client communications provided by their Approved Persons. Kenmar submitted that all account reporting should be generated by the Member firm and e-mailed to the client on firm letterhead.

MFDA Response

MFDA Rules currently permit Approved Persons to provide client communications such as account statements to clients directly provided certain requirements are met. Rule 1.1.7 requires that the name of the Member firm be included on all client communications including account statements.

Clarification of Standard Acceptable Industry Practice (Rule 2.8.3)

IFIC, IGM and Canfin requested clarification with respect to what are considered to be standard acceptable industry practices in Rule 2.8.3. These commenters recommended that, where an annualized rate of return percentage is provided to a client, firms be given flexibility to provide the information with disclosure of the methodology used.

IGM expressed the view that Members should have the flexibility to choose any appropriate method in calculating rates of return.

MFDA Response

Members are currently given flexibility with respect to reporting rates of return provided a standard industry method is used and a clear explanation of the method is included on the performance statement. Standard industry practices include time weighted returns such as Global Investment Performance Standards, Modified Dietz or a dollar weighted return method (Internal Rate of Return). MFDA staff will be issuing a Member Regulation Notice to provide additional guidance with respect to standard industry practices in calculating rates of return. The methodology and standards with respect to performance reporting adopted by the Member must be applied on a firm-wide basis across its entire client base and sales force. The adoption of different methodologies for different clients or Approved Persons within a Member may be misleading and used to misrepresent account performance.

Member Approval and Supervision for Communications Containing/Referencing Rate of Return (Rule 2.8.3(b))

The IFB expressed the view that the requirement for Members to be responsible for the content of and to approve any performance reports provided to clients represents a substantive change in regulation and is intrusive to the Approved Person's relationship with their client. IFB commented that the requirements in Rule 2.8.3(a)(c) were sufficient and that paragraph (b) should be deleted.

Advocis submitted that the requirement in Rule 2.8.3(b) for the Member to approve and supervise any communication containing or referring to a rate return regarding a specific account or group of accounts is problematic, and, in light of the requirement in subsection (a), redundant. Advocis noted that Approved Persons, in their conversations with clients, are regularly asked about the performance of their investments and this requirement would require the Approved Persons to speak with the compliance personnel at the Member office prior to disclosing any information. Advocis expressed the view that this requirement is needlessly broad and fails to recognize that Approved Persons often deal with their clients outside standard business hours. Advocis noted that compliance with subsection (b) would require Members to have compliance personnel available at all hours.

MFDA Response

As noted above, in the course of compliance examinations and enforcement activities, MFDA staff has identified inconsistencies and potentially misleading information in performance reports provided to clients directly by some Approved Persons. MFDA Rule 2.8.2(a) currently provides that no client communication shall be untrue or misleading. Accordingly, there must be adequate supervision to ensure that such misleading communications are not provided to clients.

With respect to the requirements in proposed Rule 2.8.3(b), reference is made to "client communication", which is defined in Rule 2.8.1 as "any written communication by a Member or Approved Person to a client of the Member, including trade confirmations and account statements, other than an advertisement or sales communication". Accordingly, only written communications and not verbal conversations that reference performance are subject to the requirements of Rule 2.8.3(b). In addition, Rule 2.8.3 requires Member supervision of client communications containing a rate of return regarding a specific account or group of accounts and does not require Member supervision of a rate of return provided for specific products.

13.1.6 Summary of Public Comments Respecting Proposed Amendments to MFDA Rule 2.2 (Client Accounts), Policy No. 2 Minimum Standards for Account Supervision, Rule 2.8 (Client Communications) and Rule 5.3 (Client Accounts) and Responses of the MFDA

SUMMARY OF PUBLIC COMMENTS
RESPECTING PROPOSED AMENDMENTS TO MFDA RULE 2.2 (CLIENT ACCOUNTS),
POLICY NO. 2 MINIMUM STANDARDS FOR ACCOUNT SUPERVISION,
RULE 2.8 (CLIENT COMMUNICATIONS) AND RULE 5.3 (CLIENT ACCOUNTS)
AND RESPONSES OF THE MFDA

On April 24, 2009, the British Columbia Securities Commission and Ontario Securities Commission published proposed amendments to MFDA Rule 2.2 (Client Accounts), Policy No. 2 *Minimum Standards for Account Supervision,* Rule 2.8 (Client Communications) and Rule 5.3 (Client Accounts) (the "**Proposed Amendments**") for a second 90-day public comment period. A further correction to the Proposed Amendments was published on May 8, 2009.

The public comment period expired on July 23, 2009.

10 submissions were received during the public comment period:

1. Advocis
2. Canadian Foundation for Advancement of Investor Rights – FAIR Canada ("FAIR")
3. IGM Financial Inc. ("IGM")
4. Independent Financial Brokers of Canada ("IFB")
5. Investment Funds Institute of Canada ("IFIC")
6. Primerica Financial Services (Canada) Ltd. ("PFSL")
7. Quadrus Investment Services Ltd. ("Quadrus")
8. Royal Mutual Funds Inc. ("RMFI") and Phillips, Hager & North Investment Funds Ltd. ("PH&N")
9. Scotia Securities Inc. ("SSI")
10. TD Investment Services Inc. ("TDIS")

Copies of comment submissions may be viewed at the offices of the MFDA, 121 King Street West, Suite 1000, Toronto, Ontario by contacting Ken Woodard, Director, Communications and Membership Services, (416) 943-4602.

The following is a summary of the comments received, together with the MFDA's responses.

Scope of the Client Relationship Model Proposals

FAIR expressed support for the Proposed Amendments and the Investment Industry Regulatory Organization of Canada ("IIROC") proposal as steps representing incremental improvements in the Client Relationship Model ("CRM"); however, FAIR expressed the view that the proposals do not go far enough towards the necessary complete overhaul of the relationship between the client and the advisor and recommended that the Canadian Securities Administrators ("CSA"), IIROC and the MFDA undertake a review of regulatory initiatives around the globe to ensure that Canadian investor protection keeps up with international best practices.

MFDA Response

The MFDA, through ongoing communication with investors and stakeholders and its regulatory oversight of Member operations, tests MFDA Rules both with respect to Member and Approved Person compliance with Rule requirements and the ongoing effectiveness of the Rules in meeting their regulatory objectives. The Proposed Amendments, once implemented, will be similarly subject to such a process of ongoing review and will be subject to amendments where warranted.

Principles-Based Approach

RMFI and PH&N expressed support for principles-based regulations, as they permit Members the flexibility necessary to efficiently apply regulations in consideration of their different business structures, address specific risks and allow securities regulators to respond more effectively to emerging issues without needing to introduce new or amend existing detailed rules every time a regulatory concern arises. RMFI and PH&N expressed the view that this is especially important in the current and expected future environment where there are continuous industry developments.

RMFI and PH&N expressed disappointment that certain areas identified during the first comment period as those that would be best addressed as regulatory guidance to Members, rather than as prescriptive requirements, remained prescribed in the Policy.

The IFB expressed agreement with the general principle that it is valuable for clients to have a clear definition of the relationship between themselves and the financial services provider, and that this definition should include a description of the roles and responsibilities that each party will assume when an investment account is opened. However, the IFB expressed the view that the number of new rules, processes, supervisory requirements and restrictions that will be required to implement this otherwise meaningful undertaking is excessive. The IFB recommended taking a less prescriptive approach to issues addressed by the Proposed Amendments.

MFDA Response

The Proposed Amendments seek to adopt a principles-based approach where this is appropriate. For example, Rule 2.2.5 sets out principles-based requirements for disclosure. In addition, even where the Proposed Amendments introduce prescriptive requirements, such as in Policy No. 2, MFDA staff remains open to considering alternate approaches to meeting such requirements where it can be demonstrated that such approaches meet the minimum standards set out in the Policy.

Where MFDA has prescribed requirements in greater detail, for example with respect to the trade review thresholds proposed in Policy No. 2, this has been in response to issues identified through MFDA compliance and enforcement activity. Suitability is one of the most common deficiencies identified during compliance examinations and is the most common complaint received by the MFDA from investors. The MFDA's regulatory experience to date has demonstrated that the current principle-based approach to trade supervision has not been effective in addressing these ongoing concerns.

The Proposed Amendments are also intended to respond to requests from Members for more direction and establish transparent and objective minimum standards for the industry and a consistent level of investor protection.

Cost/Benefit Analysis

The IFB reiterated its comment from the first consultation, stating that the Proposed Amendments will substantially increase the regulatory reporting and compliance activities of Approved Persons and Members and requested clarification of the justification of these new procedures and the related subsequent compliance costs relative to the number of serious complaints the MFDA receives, noting that such costs will undoubtedly be passed along to the investing public. The IFB, citing the MFDA's enforcement statistics, expressed the view that the statistical occurrence of complaints related to suitability supports the notion that the mutual fund industry is sufficiently regulated, as the incidence of improper behaviour is low. As a consequence, the IFB expressed the view that the increased reliance on prescriptive rules to address suitability is unnecessary.

While acknowledging that it is primarily concerned about the potential effects of the Proposed Amendments on Approved Persons and their clients, the IFB also expressed concern about the growing cost and burden of compliance that may ultimately negatively affect particularly smaller retail clients who will pay the price in reduced availability and accessibility of advice related to mutual funds, if dealers and/or advisors are forced to mandate minimum account requirements in order to justify the cost of providing such services.

MFDA Response

Suitability is the most common area of client complaints to the MFDA and to Members. The fact that the actual number of complaints escalated to litigation is low does not mean that risk of harm to clients is low. It is generally understood by regulators and industry participants that client complaint numbers are often indicative of a larger, more widespread level of concerns. The primary importance of complaint statistics is to show relative areas of complaints for the purpose of identifying the most important areas of concern. Accordingly, complaint statistics support the regulatory need for enhanced suitability requirements.

Complaints are also a lagging indicator of potential regulatory concerns. Addressing issues in response to complaints is reactive, after investor harm has occurred. MFDA also performs compliance examinations to monitor Member adherence to MFDA requirements to proactively ensure that Members and Approved Persons are complying with their obligations to clients, including their suitability obligation. Suitability concerns have been identified in almost all compliance examinations performed by the MFDA in its second examination cycle and inappropriate trade and account supervision is the most common issue referred from the MFDA Compliance Department to the MFDA Enforcement Department for further investigation and potential discipline.

Investment suitability has also been identified as a regulatory priority by the CSA who have recently undertaken their own initiatives in this area. MFDA staff does not believe the Proposed Amendments go beyond the measures necessary to ensure that the regulatory concerns identified have been addressed.

MFDA staff has developed the Proposed Amendments over the past three years based on numerous consultations with the industry through Member Regulation Forums, the MFDA Policy Advisory Committee ("PAC") and other ad hoc industry meetings and practical, first-hand experience gained by MFDA staff during their compliance and enforcement activities. MFDA Members were also consulted by way of industry subcommittees which were established in 2006 and presented with the original draft of

the amendments for comment. In the course of these consultations, many suggestions were brought forward and discussed. Alternative viewpoints and suggestions from Members, regulators and other industry participants were also discussed at length in these consultations and input received was factored into the Proposed Amendments. The possibility of conducting a cost/benefit analysis of changes proposed in relation to the CRM project was considered and attempted by the CSA, SROs and the industry. Several meetings with the industry were held to discuss and agree upon the cost versus benefits survey approach to be pursued. However, no agreement with potential participants was reached regarding the approach to be followed in conducting the analysis.

Harmonization with Parallel Initiatives

The IFB recommended that the MFDA, CSA and IIROC harmonize their efforts as much as possible, so that the information provided to clients and the associated procedures for financial advisors and dealers are as streamlined and consistent as possible, regardless of their registration category. For example, the IFB recommended providing an exemption or reduced suitability obligations for investors who are "permitted clients" or have set up order execution only accounts, as is the case for the CSA and IIROC proposals.

IGM expressed the view that the Proposed Amendments are more prescriptive than the IIROC proposal and, recognizing that there has been improvement in this area since the previous publications of both the MFDA and IIROC proposals, recommended further harmonization.

MFDA Response

Suitability exemptions for certain clients and "order execution only accounts" for IIROC Members existed prior to the establishment of National Instrument 31-103 Registration Requirements and Exemptions ("NI 31-103"). Corresponding MFDA Rule amendments have not been developed to date as it does not appear Members require such relief. However, if circumstances change, policy amendments will be considered at that time.

The Proposed Amendments were subject to working group discussions between MFDA, IIROC and CSA staff aimed at ensuring that the proposals of the two self-regulatory organizations ("SRO") met the same regulatory objectives and minimized differences. The Proposed Amendments were also reviewed to ensure that they met the regulatory objectives under consideration for NI 31-103, as proposed at the time. Additional revisions were made to the Proposed Amendments as a result of such discussions. The Proposed Amendments of the two SROs, while structured differently in certain areas so as to accommodate the existing structure of the respective Rules, meet the same regulatory objectives. The more prescriptive requirements proposed by the MFDA, which have not as yet been adopted by IIROC, primarily relate to MFDA Policy No. 2 and, more specifically, to trade and account supervision. As noted above, MFDA has identified regulatory concerns in this area as a result of its regulatory activities and believes more prescriptive requirements in these areas are necessary to meet its investor protection mandate.

Changes Made in Response to the First Comment Period

The IFB noted that the Proposed Amendments, as published for the second comment period, do not adequately reflect the comments received during the first comment period, as only a few changes, primarily of technical nature, were made.

MFDA Response

All comments received were reviewed and considered. Comments suggesting additional revisions to the Proposed Amendments were incorporated where such suggestions were consistent with meeting the MFDA's investor protection mandate.

Transition Periods

SSI noted that the MFDA has recognized that systems changes will be required to implement the Proposed Amendments and recommended a 24-month transition period to comply with the new requirements before they become effective.

TDIS noted that the changes proposed in Policy No. 2 will require most Members to develop numerous system enhancements and recommended a 12-month transition period to develop appropriate systems and policies and procedures. Particularly, the addition of new fields to Member's systems to accommodate the new specific pieces of Know-Your-Client ("KYC") mandated by the Policy will be costly and time consuming requiring both front-end screen and back-end database changes and revision or redesign of new account application forms and/or KYC forms and any supporting system print capability. TDIS recommended a six-month transition period with respect to the requirement to provide the client with a document describing the client's risk tolerance, investment objectives, time horizon, income and net worth upon a material change to KYC information.

TDIS noted that Members relying on a third party to provide client name statements are dependent on those parties to make the changes required to provide performance reporting under Rule 5.3. In light of the fact that the proposed changes involve

calculation of the information prior to presentation on the statement, they will require complex technology changes and systems will have to be rigorously tested. TDIS recommended a 24-month transition period to ensure that information provided is accurate and the presentation format is clear and easy to understand for clients. TDIS recommended that the transition period for the relationship disclosure requirement not commence until the later of the final approval of the Rule or the finalization of the Member Regulation Notice ("MR Notice"). TDIS recommended a period of six months to draft, review and produce a new relationship disclosure document.

IGM recommended an 18-month transition period for new account documentation requirements under proposed Rule 2.2.5; 24-month transition period for account revision requirements, suitability assessments, trade supervision requirements and trade review thresholds under Policy No. 2; and 36-month transition period for proposed performance reporting requirements under Rule 5.3.

IFIC expressed the view that the investment funds industry requires a suitable transition period for designing the required systems and testing, optimization, software implementation and training. Noting that IIROC allows a three-year transition period to adopt its provisions regarding providing the Relationship Disclosure Document to existing clients, IFIC recommended adopting an equally appropriate transition period to address the implementation issues.

MFDA Response

The MFDA has noted the comments made and will be harmonizing implementation periods with IIROC and with similar transition periods required by the CSA under NI 31-103.

Carrying Dealers

IGM recommended that the Proposed Amendments specifically address the division of responsibility between introducing and carrying dealers and specifically state, as contemplated by Rule 1.1.6(xi), that these requirements apply only to introducing dealers and not the carrying dealer except: (i) in the case of a Level 1 introducing dealer; or (ii) where the carrying dealer has agreed to perform specific compliance functions, only with respect to those specific compliance functions.

MFDA Response

Under MFDA Rule 1.1.6(b)(xii) for Level 1 introducing arrangements, the introducing dealer and carrying dealer are jointly and severally responsible for compliance with MFDA By-laws and Rules for each account introduced to the carrying dealer by the introducing dealer. In all other cases, the introducing dealer is responsible for such compliance, subject to the carrying dealer also being responsible for compliance with respect to those functions it agrees to perform under any arrangement entered into under Rule 1.1.6.

The responsibilities of Members entering into introducing/carrying arrangements, including those in respect of compliance as noted above, are clearly and specifically addressed under Rule 1.1.6.

Rule 2.2 (Client Accounts)

Rule 2.2.1 *Know-Your-Client*

Quadrus requested clarification whether the reference to "essential facts" in proposed Rule 2.2.1(c) encompasses review requirements in addition to those set out in MFDA MR-0069 *Suitability Guidelines*.

PFSL and IFIC recommended that, absent a change in KYC information, the requirement to perform a suitability review upon a change in the assigned Approved Person under Rule 2.2.1(e)(iii) be removed, as a change in representative does not cause accounts to become unsuitable. PFSL expressed the view that this requirement would duplicate the last suitability review that was conducted, although the commenter agreed that a newly assigned Approved Person should still be required to familiarize him/herself with the file as contemplated by current Policy No. 2 and perform a suitability review if he or she becomes aware of a material change in client circumstances.

IFIC noted that other requirements, such as the provision requiring a new representative to familiarize him/herself with the file and the suitability review requirement under Rule 2.2.1(c), as well as two-tier account supervision at the time of initial set up and subsequent triggers, are sufficient to render the requirement under proposed Rule 2.2.1(e)(iii) superfluous, particularly in light of limited investor benefit. IFIC expressed the view that the imposition of an "all-account" suitability review requirement on reassignments will cause a large number of additional suitability assessments to occur each year, with virtually all resulting in "suitable" conclusions and recommended, in case the MFDA is unwilling to remove this requirement completely, that a dollar threshold, such as $50,000 in assets, be adopted.

IFIC recommended allowing adequate time for conducting the review, particularly upon a transfer of assets into an account at the Member and suggested adding the following wording to the end of Rule 2.2.1(e): "prior to the first transaction after the change or client initiated activity with allowance for automated transactions to continue."

MFDA Response

The requirement for the Member and Approved Person to use due diligence to "learn the essential facts" is a general statement of the principles-based obligation to collect the facts necessary to know the client and assess suitability. Such facts will include, but may not necessarily be limited to, the enumerated items set out in MR-0069 or Policy No. 2, as such information represents the minimum necessary to operate the account and know the client. Depending on the circumstances, the Member or Approved Person may need to collect other information to fully understand the client's investment needs and objectives.

Under current Policy No. 2, Approved Persons are already required to review the client's KYC information where they have been assigned responsibility for a client's account. At the same time, they should also be reviewing the investments in the client's account to further understand the client's circumstances and assess suitability. We do not expect all accounts to be subject to a suitability review but rather only a sample selected on a risk basis. A $50,000 threshold would not, in itself, be an appropriate criterion. Automatic plans may or may not be included in the sample depending upon whether they meet the Member's risk criteria.

We agree with the commenter that Approved Persons, particularly those who earn commissions immediately on reassignment of the account, are expected to familiarize themselves with the client files in order to understand their new clients better. Rule 2.2.1 (e) (iii) does not impose an "all-account" suitability review on reassignment. As with the other suitability triggers, it would be expected that the suitability assessment on reassignment would be done on a sample basis using appropriate criteria developed by the Member (for example, accounts holding high risk investments, leveraged accounts, etc).

With respect to allowing adequate time to conduct a review and the suggested amendment to Rule 2.2.1(e), we note that Policy No. 2 requires the Approved Person to assess the suitability of investments in each client account within a reasonable time, but in any event no later than the time of the next trade. The determination of reasonable time in a particular instance will depend on the circumstances surrounding the event giving rise to the requirement to perform the suitability assessment.

Rule 2.2.2 *New Accounts*

IGM recommended clarifying proposed Rule 2.2.2(a) to provide that the obligation to open an account within a reasonable time is triggered only when the required documents are in good order.

MFDA Response

The obligation to open an account within a reasonable time arises when the required documents (i.e. all documents/information necessary to complete the account application) are received in good order. If a Member does not have sufficient information to open an account, it would not be expected to do so.

Rule 2.2.5 *Relationship Disclosure*

SSI expressed concern that proposed Rule 2.2.5, as drafted, is open to significantly different interpretations. SSI acknowledged the MFDA intent to issue a MR Notice to provide additional guidance with respect to the level of detail to be set out in the relationship disclosure document, but expressed the view, which was also echoed by IFIC, that it is not possible to fully respond to the Proposed Amendments without knowing the content of the MR Notice. SSI expressed concern that the interpretation of the Rule in the anticipated MR Notice will be the standard against which Members will be regulated. As a consequence, SSI, IFIC and TDIS recommended that the industry be given an opportunity to comment on the proposed MR Notice, together with Rule 2.2.5, which should be re-published for comment at that time.

IFIC recommended that any requirement (such as one to disclose all products and services offered by the Member) increasing the volume of disclosure without necessarily informing the client be avoided.

Quadrus expressed support for the concept of providing information required under proposed Rule 2.2.5 to clients to assist them in making informed investment decisions but noted the importance of a balance between the amount of information that could be included as part of the disclosure and the amount that clients may reasonably read and digest. In addition, Quadrus requested including a template in a MR Notice providing guidance on Rule 2.2.5, which Members could use to assist them in the development of their own disclosure, as well as clarification as to whether the information required by the Rule needs to be contained in one separate document or if the disclosure (or pieces of it) can be placed within the various account and associated disclosure documents that are already provided to clients when they open a new account.

PFSL expressed the view that the proposed wording of Rule 2.2.5(e) may require an overly extensive description of KYC information and of how that information is used and recommended redrafting the subsection to require a plain language disclosure of the importance of investment suitability and KYC information.

IFIC expressed the view that the requirement of Section 2.2.5(e) for advisors to define the various terms with respect to KYC through written disclosure increases the volume of materials to be provided at account opening without measurable benefit to investors and should be removed. IFIC also noted that IFIC members have stated that clients may respond negatively to the level of disclosure prescribed in the Proposed Amendments, and that, due to the volume and complexity of the materials, it will be unread and unwanted.

The IFB expressed the view that commenters are not able to fully appreciate the implications of the Proposed Amendments and therefore comment on them without the benefit of reviewing future additional guidance to be provided in MR Notices. The IFB recommended that, given that a number of Approved Persons also hold other types of financial licenses and the fact that clients often hold a variety of investments outside the purview of their mutual fund advisor, certain investors be given the right to opt-out of the requirement to receive some or all of the prescribed relationship disclosure materials. The IFB expressed the opinion that, absent such an opt-out provision, in certain circumstances the regulatory reliance on KYC forms and suitability reviews can create a seemingly disparate situation, when in reality the client's asset mix and risk tolerance is in keeping with his/her overall situation. In the IFB's view, such a provision would recognize the right of clients to determine the level of service they receive from the dealer/advisor and the level of detail related to their personal and financial situation that they wish to provide to access those services. The IFB suggested that clients who choose to opt out be entitled to reverse this decision at any time.

FAIR recommended that all information pertaining to fees, charges and other advisor compensation appear in a single document written in plain language. FAIR expressed the view that allowing other documents to be incorporated by reference would diminish the benefit of simplified relationship disclosure and recommended that, since few investors actually read or review opening documents because of their length and complexity, this information be made easily accessible to investors. FAIR recommended that, at the very least, the main disclosure document include a brief summary in plain language of any incorporated documents. FAIR also recommended addressing the issues of fiduciary responsibility and the conflict of interest between the client, the Approved Person and the Member in more detail.

MFDA Response

With respect to comments that the implications of the Proposed Amendments cannot be fully appreciated without the benefit of guidance in related MR Notices, we note that the substantive requirements of the Proposed Amendments are contained in the Rule/Policy that is being amended and were explained in the Notice of publication accompanying the Proposed Amendments and staff responses to comments received during the June 2008 publication for comment. Guidance or clarification that may subsequently be issued in a companion MR Notice will clarify and not alter such requirements. Further, in an attempt to determine the impact to the membership, MFDA circulated draft sample relationship disclosure to all Members and requested feedback in February 2007.

Proposed new Rule 2.2.5 prescribes the core elements of disclosure that must be provided to clients on account opening, which may be provided in one document or several. This approach has been adopted to allow Members flexibility in how they incorporate the required disclosure on their existing forms.

The requirements of subsection 2.2.5(b) refer to generic descriptions (i.e. product type/class sold: mutual funds, GICs, exempt products, etc). Where Members only sell proprietary products or mutual funds of a related issuer, this should also be disclosed.

Subsection 2.2.5(e) does not contemplate defining all KYC terms, as it is acknowledged that certain terms, such as age, are self-explanatory. "Risk tolerance", "investment objectives" and "time horizon" are examples of key KYC terms that should be defined. MFDA staff has found that Members and clients may attribute different meanings to these terms, which may prevent clients from understanding the basis on which their investments will be assessed. Members must define KYC terms in a manner that corresponds to their sales process. The KYC terms set out and defined in Appendix 1 (Example of KYC Information) of MR-0069 are intended as examples to provide guidance to Members with respect to the type of terms to be defined and level of detail expected.

With respect to the comment that clients often hold investments not under the purview of their mutual fund advisor and, as a result, certain investors should have the right to opt-out of the requirement to receive some or all of the required disclosure, MFDA disagrees. The fact that clients may hold investments in addition to mutual funds does not mean that they do not require information about the role and responsibilities of the mutual fund dealer and the duties of an MFDA Approved Person providing products or services in respect of mutual fund assets in their account.

Clients who hold assets other than mutual funds may be under the impression that all assets that they hold are subject to the same relationship disclosure requirements. In such circumstances, providing the disclosure contemplated by Rule 2.2.5 is particularly important as it will allow the client to understand the relationship disclosure that applies in respect of their mutual

fund assets (particularly as it pertains to compensation paid to the MFDA Member and the content and frequency of reporting for such assets).

The description under subsection 2.2.5(a) should address how the advisory relationship operates, which may include a statement that the client is responsible for making investment decisions but can rely on the advice given by the Approved Person and that the Approved Person is responsible for the advice and ensuring that it is suitable based on the client's investment needs and objectives. Subsection 2.2.5(d) requires a brief statement describing the Member's obligations to assess investment suitability in accordance with Rule 2.2.1 and advising the client of when (i.e. upon the occurrence of specified events) the Member will assess the suitability of the investments in the client's account.

There are a number of important disclosure documents required to be provided to clients that cannot be effectively summarized into one document. Accordingly, to satisfy the requirements of subsection 2.2.5(g), firms may refer a client to existing sources of information, e.g. the prospectus, point of sale disclosure document or offering memorandum.

Policy No. 2 *Minimum Standards for Account Supervision*

Introduction – Requirement to Obtain Approval of Alternative Procedures

IFIC acknowledged that alternative policies and procedures must adequately address the risk management issues of the Member but recommended flexibility in allowing dealers' implementation of those strategies in order to permit Members to operate according to their own business model. IFIC recommended that seeking MFDA staff approval of alternative procedures be a best practice rather than a requirement. PFSL recommended that, in the event of market changes or innovation, the MFDA approval process be expeditious to enable investor needs to be met on a timely basis.

MFDA Response

The requirement for MFDA staff pre-approval of alternate policies and procedures was requested by members of the MFDA PAC to allow Members flexibility in complying with the minimum thresholds. Pre-approval of alternative approaches allows for a level playing field among Members and a consistent level of investor protection. In light of the fact that all Members have been subject to at least two examinations, providing pre-approval to Members with alternative arrangements is a fairly simple and straightforward process. Historically, Members who wish to change their suitability framework have approached MFDA staff in advance as a prudent business practice to ensure that they are not spending time and incurring cost to implement a new structure that might not comply with MFDA requirements. Further, the pre-approval requirement would generally apply to changes to material aspects of a Member's supervisory system such as changes to the Member's trade review thresholds that deviate from the minimum standards set in the Policy.

Delegation of Procedures

IFIC expressed support for the requirements under section 4 under *Delegation of Procedures* and agreed with the MFDA's response to the first publication for comment that indicated that trades cannot be properly reviewed unless an individual has the type of experience and understanding of trade suitability procedures equivalent to a branch manager/compliance officer. IFIC recommended that the requirement be limited in scope to trade reviewers for suitability.

MFDA Response

The purpose of this section is to confirm the general principle that tasks must be delegated to individuals with the same proficiency as the delegating supervisor. The section also provides flexibility where the Member can demonstrate that the individual performing the delegated task has equivalent training, education or experience related to the function being performed.

This principle is also intended to be broader in its application, not limited to trade supervision and covers all supervisory activities.

Education

IFIC expressed satisfaction with the fact that the requirement for dissemination of relevant information contained in regulatory notices to relevant employees was amended and recommended also amending section 1 under *Education* to read: "Member's current policies and procedures manual must be made available to relevant sales and supervisory personnel."

MFDA Response

All sales and supervisory personnel should receive a policies and procedures manual. Members generally have different manuals containing policies and procedures that pertain to the functions the individuals perform. It would be expected that the individuals are provided with the manual that applies to the specific functions that they are performing.

Documentation of Client Account Information

Referring to subsection 3(o) under *Documentation of Client Account Information* regarding obtaining information required by other laws, Advocis recommended that this information not be specifically required under the Policy as Members and Approved Persons must abide by applicable federal and provincial laws.

With respect to subsections 3(g), 3(h), 3(o), 4(e) and 4(m) under *Documentation of Client Account Information* regarding obtaining information required by other laws, SSI and IFIC recommended removing these requirements from the Policy since this information is already required to be collected under existing laws and is regulated by other government agencies. The commenters expressed the view that the MFDA should not be enforcing the regulations of other regulators and recommended, where Members are unaware of other requirements, issuing MR Notices to provide additional guidance on compliance with other regulatory frameworks.

Quadrus requested clarification as to whether the requirement to provide calculation of net worth under subsections 3(n) and 4(l) was necessary and expressed the view that it is sufficient that a client simply state his or her net worth for the purpose of this section. IGM recommended amending subsection 3(n) to require Members to obtain details of the client's liquid assets only where the client is considering a leveraged investment.

With respect to section 5 under *Documentation of Client Account Information*, Quadrus requested clarification as to whether the three separate types of accounts that are required to be tracked for supervisory purposes, being: (i) registered accounts; (ii) leveraged accounts; and (iii) accounts of any registered salesperson's family member are required to be readily identifiable if they are operating under a limited trading authorization/power of attorney or whether this qualification only refers to accounts of any registered salesperson's family member.

MFDA Response

Through compliance reviews, MFDA staff has identified situations where Members were unaware of requirements under other relevant legislation. Accordingly, these items were included with the intention of assisting Members by providing a checklist of client information required on account opening. MFDA staff is of the view that it continues to be appropriate to include such information in this section. Further, with respect to Proceeds of Crime legislation, MFDA has an understanding with the Financial Transactions and Reports Analysis Centre of Canada ("FINTRAC") that we will generally be considering Member compliance with such legislation when performing examinations in order to avoid Members being subject to duplicate examinations by FINTRAC.

Proposed Policy No. 2 has been amended to only require the details of net worth for non-registered leveraged accounts.

Changes to Know-Your-Client Information

IGM recommended amending section 1 under *Changes to Know-Your-Client Information* to require an Approved Person or Member to update KYC information only when a client advises them of a material change rather than when an Approved Person or Member becomes aware of such a change and noted that, under the IIROC proposal, this obligation is only triggered when the change is reflected in the dealer's KYC records.

RMFI and PH&N expressed support for the suggested approach to require the branch manager to review suitability upon a material change in a client's KYC information on a sample basis and recommended that the wording of section 5 under Part IV (Branch Office Supervision) of the Policy be amended to read: "The branch manager must perform a suitability review on a sample basis where a material change results in..." RMFI and PH&N recommended extending this approach to include a requirement that the Member approve all material changes in client information in accordance with proposed Rule 2.2.4(c). Further, RMFI and PH&N proposed amending section 7 under *Changes to Know-Your-Client Information* to reflect KYC reviews and approvals by Members on a sample basis.

With respect to the inclusion of guidance on branch managers' reviews of material changes and, more specifically, references to changes made to justify unsuitable trades or leveraging in section 7 under *Changes to Know-Your-Client Information*, RMFI and PH&N cautioned against including binding regulatory interpretations and examples in the Policy and recommended addressing these issues through a MR Notice.

RMFI and PH&N expressed the view that the expectation that a branch manager "be aware of situations where material changes may have been made to justify unsuitable trades or leveraging" is unduly onerous as, in most instances, such changes are done at a client's request in order to complete an unsolicited transaction. In RMFI's and PH&N's view, branch managers should be responsible for reviewing material changes in client information on a sample basis, including the review of supporting documentation that reflects details of any cautionary advice given to the client with respect to such change. RMFI and PH&N recommended removing this section from the Policy and addressing this issue in a MR Notice.

RMFI and PH&N recommended that the requirement under Section 8 under *Changes to Know-Your-Client Information* that Members provide clients with a document specifying the client's current risk tolerance, investment objectives, time horizon, income and net worth be made consistent with proposed Rule 2.2.4(c) and be limited to risk tolerance, investment objectives and time horizon. In addition, RMFI and PH&N noted that, due to possible system limitations (e.g. information that is maintained on an account level vs. at the client level), it may not be possible or appropriate to include information on income and net worth.

MFDA Response

Section 1 has been amended so that the Approved Person or Member must update the KYC information whenever they become aware of a "material change in client information". The definition of this term in Rule 2.2.4(a) has been amended and now refers to "any information ***that results*** *in changes to the stated risk tolerance…", in place of "that could reasonably result".*

The requirement of the section has been amended so that a suitability assessment of investments in each client account becomes necessary where a Member becomes aware of a material change that ***results in*** *a significant change to the stated risk tolerance, time horizon or investment objectives of the client or would have a significant impact on the net worth or income of the client.*

As section 7 now refers to approving a "material change in client information", as defined in Rule 2.2.4(a), consideration of the previous KYC information as part of such approval should be done with each such account and is not appropriate on a sample basis. MFDA staff considers the example included to be appropriate as it clarifies the regulatory intent of the section.

Section 8 was amended to remove the requirement that all KYC information that applies to the client's account be provided to the client upon material changes to the New Account Application Form ("NAAF") or KYC forms. MFDA staff regards the revised requirement (i.e. current risk tolerance, investment objectives, time horizon, income and net worth) as being the minimum information that should be provided to the client on any such NAAF or KYC changes.

Assessing Suitability of Investments with Respect to Leveraging Strategies

RMFI and PH&N expressed concern with the prescriptive approach regarding the suitability assessment of investments in consideration of a leveraging strategy. RMFI and PH&N expressed the view that the level of knowledge and participation of the Approved Person and Member in the recommendation and facilitation of the loan must be considered and that the collection of loan documentation or loan details, other than the amount of the loan, could be misleading to clients and create a perception that the loan itself is assessed for suitability. RMFI and PH&N recommended that the Approved Person and the Member only be held to standards corresponding to the proficiency requirements of a mutual fund representative/branch manager and not those of a loan specialist and that this significant issue be removed from the Proposed Amendments until further study and thorough industry consultation has taken place.

PFSL expressed the view that providing details on supervisory and disciplinary processes and procedures to Approved Persons, as required by section 4 under Part III of the Policy, could create unnecessary compliance risks as certain aspects of this type of information are key elements of the Members' compliance controls and disclosing them/such details could potentially lead to salespersons adjusting behavior in an effort to circumvent the controls.

PFSL recommended redrafting the Approved Person requirement to maintain evidence of performed suitability assessments and follow up action to place this responsibility on the Member rather than the Approved Person, as the Member would more effectively be able to establish the processes and procedures for the retention and maintenance of this information.

IGM recommended that the Member's obligation to assess the account suitability only arise prior to the time of the next trade in the account instead of immediately. IGM also recommended that the requirement to assess suitability upon a material change in the client's KYC only arise when that change has been communicated by the client and not when the Member or the Approved Person becomes aware of the change.

MFDA Response

If an Approved Person does not have sufficient proficiency to determine if a client is able to manage the financial obligations of a loan, then the Approved Person, who is obligated to act in the best interest of clients, should not recommend clients borrow to invest. MFDA staff has, however, noted the concern that additional proficiency may be required for Approved Persons with respect to leveraging and will address this with the course and exam providers.

It is not expected that the Member provide detailed explanations regarding their trade supervision and disciplinary processes to Approved Persons. Rather the requirement to communicate supervisory and disciplinary processes to Approved Persons was meant to provide general guidance to Approved Persons regarding the Member's suitability standards and the consequences of non-compliance.

With respect to maintaining evidence of suitability assessments and follow-up action, Members are already required to maintain evidence of their supervisory activity. Part 7 under Section III requires Approved Persons to evidence they have complied with their obligation to perform a suitability assessment as required under proposed Rule 2.2.1(e).

Policy No. 2 requires the Approved Person to assess the suitability of investments in each client account within a reasonable time, but, in any event, no later than the time of the next trade. The determination of reasonable time in a particular instance will depend on the circumstances surrounding the event giving rise to the requirement to perform the suitability assessment. The requirement is intended to ensure that a suitability review is performed as soon as reasonably possible following the trigger event. If a review were required only prior to the time of the next trade, a significant period of time may have elapsed between the trigger event and the suitability review.

Branch Office Supervision

Branch Office Supervision – Daily Reviews

SSI expressed the view that the daily branch office review requirements are too prescriptive and depart from the principle-based approach in the Policy. SSI recommended that Members be able to establish daily trade review standards that reasonably address management objectives. SSI expressed the view that the proposed thresholds are too low and complex and will result in a significant increase in the complexity of daily reviews and systems changes to generate trading blotters that differentiate trades based on dollar amount and risk, with no measurable increase in investor protection. SSI noted that such daily blotters will be complex and voluminous and these requirements will increase the probability of human error in the review process and decrease the quality of the review. SSI commented that trades of higher monetary value are more risky and the risks respecting trades under $10,000 can be managed internally by Members. SSI and IFIC recommended adopting a simple minimum threshold for branch level daily trade reviews of $10,000 for all trades and redemptions.

IGM expressed the view that the requirement that the branch manager review all initial trades is unnecessary and recommended that Members instead be required to implement a monitoring process to review appropriate initial trades as part of an integrated oversight model. IGM acknowledged that the review thresholds have been increased from the previous version of the Proposed Amendments, but recommended that the Policy provide Members with flexibility to use a risk-based approach to determine which trades in the securities should be reviewed rather than prescribe specific threshold amounts.

IFIC acknowledged that it is prudent for dealers to monitor possible outside business activity where money may be leaving the Member for reinvestment into other potentially inappropriate or unauthorized investments; however, it recommended removing the requirement that the branch manager assess the impact and appropriateness of any redemption charges and the suitability of the redemption with regard to the composition of the remaining portfolio. IFIC expressed the view that deferred sales charges are set at the time of initial sale and are fully explained in the text of the prospectus and minimizing sales charges should be viewed as one of several considerations a representative should consider in recommending to a client a strategy for managing redemptions. In IFIC's view, other considerations might include taxation and impact of the redemptions on investment mix. IFIC recommended that the branch manager not be responsible for a re-assessment of the previous review, but rather be required to ensure that there is a consistent and robust evidence of the assessment, as trade suitability assessment is required at the advisor level.

IFIC expressed the view that mandating a branch manager to assess the investment suitability in each client account upon a material change in KYC information will create redundancies as the review is already assessed at the advisor level under Rule 2.2.1(e)(1). IFIC recommended that the branch manager "supervise" rather than "assess" the suitability of investments.

MFDA Response

As noted above, certain regulatory requirements were more principles-based prior to the development of the Proposed Amendments. Where MFDA staff has prescribed requirements in greater detail, for example with respect to the trade review thresholds proposed in Policy No. 2, this has been in response to requests for more direction from Members. In addition, the prescribed requirements address compliance issues identified during reviews of our Members' branch supervision procedures and the issues identified by MFDA enforcement staff while assessing and investigating cases.

The trade review thresholds are risk-based. In developing the trade review thresholds, MFDA compliance staff examined the review thresholds used by Members and determined that 80% of Members were already conducting the proposed types of trade reviews. Further, since the issuance of proposed Policy No. 2, Members who previously did not meet the recommended trade thresholds have updated their policies and procedures to be consistent with the proposed Policy. Therefore, we estimate the number of Members currently in compliance with the proposed Policy No. 2 trade review thresholds is much greater than 80%.

With respect to branch manager review of initial trades, members of the MFDA PAC suggested this requirement, as the branch manager is already required to approve new accounts and the majority of initial trades occur at the same time an account is opened.

If a redemption results in the investments in a client's account becoming unsuitable, the impact of the redemption must be discussed with the client prior to the redemption. If the assessment was done at the time of the next trade, the portfolio may be inconsistent with the KYC information for a significant period of time.

In terms of assessing the impact and appropriateness of redemption charges, the fact that a client obtains prospectus disclosure at the time of the purchase does not negate the obligation of Members and Approved Persons to act in the best interest of clients. Where redemptions are recommended and result in significant charges, this is a factor that should be considered in assessing the suitability of the redemption transaction itself.

Branch manager supervision of suitability necessitates that the branch manager perform a suitability assessment. Effective supervision requires not only an assessment of whether the task was performed, but also an assessment of whether it was performed properly.

Branch Office Supervision – Redemptions

RMFI and PH&N recommended removing the detailed guidance on reviews of redemptions from Policy No. 2 and instead providing it in MR Notices. RMFI and PH&N suggested adopting a risk-based approach to the review of redemptions with more detailed guidance provided in supporting documents. For example, an expectation that each and every redemption over $10,000 be reviewed and assessed against the points indicated in Section 3 of Part IV of the Policy may not be appropriate or necessary in all circumstances. RMFI and PH&N recommended that branch managers be required to consider these points where red flags are raised that may be indicative of improper activity. RMFI and PH&N also agreed with industry commentators who pointed out that monitoring subsequent purchases at another firm for "potentially inappropriate" investments is neither possible nor enforceable.

Given that redemptions may occur without the Approved Person's involvement, for example on client-name accounts, PFSL recommended that this section be redrafted to require the branch manager to conduct the reviews only in instances where the Approved Person has been directly involved.

MFDA Response

Proposed Policy No. 2 does not require monitoring of subsequent purchases at another firm. Rather, it requires the application of reasonable judgment when reviewing redemptions to consider whether, based upon the branch manager's knowledge of the Approved Persons' activities, the amount or pattern of redemptions is unusual, which may indicate an outside business activity. Where the branch manager has identified unusual activity, the branch manager should take additional steps to resolve the concern.

Approved Persons contact fund companies directly to place redemption orders and Approved Persons may also advise clients to contact fund companies directly to process redemptions. Knowing whether or not an Approved Person "was involved" in the redemption is difficult to ascertain without contacting the client in each case. Given that this would be impractical to do, the distinction has not been incorporated into the criteria.

Branch and Head Office Supervision – Simplifying the Requirements

PFSL recommended simplifying the thresholds for reviews of trading and account activities and suggested that the reviews be based on the level of risk associated with the activities, which is not necessarily related to the dollar amount or whether or not the trade was an initial or subsequent investment. PFSL expressed the view that the differing thresholds make these sections unnecessarily complex and recommended setting the thresholds at a common amount of $10,000 in order to streamline the requirements and place the emphasis on the risks associated with the previous day's trading and account activities.

IFIC expressed the view that the branch and head office daily review requirements will add compliance requirements that have not been justified in terms of improved supervision, creating additional workload for the branch manager and head office that will be unmanageable and will decrease the current quality of supervision with no identified benefit for consumers or the regulatory process itself.

MFDA Response

In developing the trade review thresholds, MFDA Compliance staff examined the review thresholds used by Members and determined that at least 80% of Members conduct the proposed types of trade reviews. Since the issuance of proposed Policy No. 2, Members who previously did not meet the recommended trade thresholds have updated their policies and procedures to be consistent with the proposed Policy. Therefore, we estimate that the number of Members currently in compliance with the proposed Policy No. 2 trade review thresholds is much greater than 80%. Further, based upon our review of larger firms with the most trade volume, the average mutual fund trade is well under $10,000 which would mean that adopting such criteria would result in most trades not being subject to a suitability review.

With respect to the comment that the branch and head office daily review requirements are not justified, we note that these requirements (particularly the proposed trade review thresholds) have been adopted in response to requests for more direction from Members and address compliance issues identified during staff reviews of Member branch supervision procedures and issues identified by MFDA Enforcement staff while assessing and investigating cases.

Head Office Supervision

Head Office Supervision – Daily Reviews

SSI and IFIC expressed the view that the proposed head office daily review thresholds are too low and complex and recommended adopting a simple minimum threshold for head office daily reviews of $50,000 for all trades and redemptions. IFIC agreed that the appropriate threshold level for exempt securities should be $5,000. IFIC expressed the view that a higher level threshold would allow for an effective monitoring system to be implemented as an oversight review for unsuitable investments in a client account and noted that Members may exceed the requirements by reviewing trades below the recommended level as prudent practice.

IGM expressed the view that the requirements of this section largely duplicate the branch office reviews, which is not the most effective use of head office resources.

MFDA Response

In developing the trade review thresholds, MFDA Compliance staff examined the review thresholds currently used by Members and determined that 80% of Members presently conduct the proposed types of trade reviews. With respect to comments indicating that the proposed head office reviews are duplicative of those performed at the branch level, head office reviews are intended to detect unsuitable investments and excessive trading and serve the purpose of exercising effective oversight of branch office operations. Higher trade thresholds and sampling of suitability of investments allow such reviews to be less detailed than those required at the branch level, while still being effective as an oversight review for unsuitable investments and excessive trading.

Identification of Trends in Trading Activity

RMFI and PH&N expressed concern with the unnecessarily prescriptive approach to the identification of trends and noted that this area would be best suited for a risk-based approach in accordance with Members' business models and unique risks and circumstances such as product offering, sales force compensation, structure and available technology. RMFI and PH&N recommended removal of this section from the Policy and addressing it in a MR Notice.

PFSL and IFIC expressed the view that the requirements for supervisory procedures under section 2 of *Identification of Trends in Trading Activity* are unnecessarily prescriptive as some Members may have more complex and effective procedures for finding and addressing these issues and recommended including a clause allowing Members to utilize alternative, MFDA-approved methods and procedures or providing related guidance in a MR Notice. IFIC expressed the view that the proposed requirements increase the level of compliance with checks at the advisor, branch manager and head-office levels, which puts a burden on the firm supervisory roles and raises industry costs without any corresponding enhancement of consumer protection.

IGM expressed the view that the requirement to review all accounts generating commissions of greater than $1,500 per month under section 2 is of limited use and that general commission trend monitoring, which is set out elsewhere in this section, is more effective and recommended deleting this requirement.

IFIC expressed the view that the commission review requirement will result in an unnecessarily high number of exceptions to be reviewed.

IFIC noted that the requirements under section 2 are not flexible enough to account for certain events, for example, a market upswing, during which an advisor may experience significant increases in assets under administration ("AUA") or, as acknowledged by the MFDA, different business structures, e.g. where the Approved Person is compensated exclusively on a salary basis. IFIC expressed the view that the head office requirement to perform quarterly reviews on AUA with a comparison to the same period in the previous year will generate meaningless reports without any benefit. IFIC recommended removing the requirements with respect to commissions greater than $1,500 and reports of AUA.

MFDA Response

Under MR Notice MR-0065 – Churning ("MR-0065"), Members are advised to have policies and procedures to detect instances of churning or excessive trading and properly address these situations. MFDA staff has received inquiries from Members requesting more detail in respect of the policies and procedures that would be appropriate under MR-0065 and the Proposed Amendments have been developed in response to such requests. If a Member has a specific business structure in which the risk of churning is not present (e.g. where Approved Person is compensated exclusively on a salary basis), not all of these reviews would be necessary.

The trend reports in proposed Policy No. 2 are intended to assist in identifying unusual, excessive trading patterns. In developing these standards, we considered existing industry practices and the standards in place at other regulators. Further,

Members and back-office service providers have already made systems changes to provide the types of reports outlined in proposed Policy No. 2.

With respect to comments suggesting that the requirements under section 2 are not sufficiently flexible to account for significant increases in AUA, the requirements contemplate such increases. Section 2 refers to "Significant increases in commissions or AUA ***beyond those caused by market fluctuations****" as ones that may indicate issues with churning or leveraging strategies. In addition, significant increases in AUA or commissions identified in the required reporting would be explainable, were they due to a market upswing, as a general trend of such increases over the quarter would be observed across the industry.*

Rule 2.8 (Client Communications)

Communicating the Rate of Return

FAIR recommended mandating provision of a personalized rate of return to clients on their statements in relation to the performance of the relevant benchmarks, in order to allow clients to truly assess how their investments are faring. FAIR expressed the view that a majority of Members are able to overcome practical difficulties of providing such calculations and recommended that the MFDA and the CSA require calculating and reporting client portfolio returns at least annually, as well as mandate the inclusion of the returns of the relevant benchmarks.

MFDA Response

Rule 5.3.5 requires Members to provide their clients with account performance reporting on an annual basis. We note that the provision of rate of return information for relevant benchmarks was considered by the CSA/SRO working group addressing account performance reporting requirements. Difficulties were identified with adopting such a requirement, including the fact that there is no one standard or relevant performance benchmark applicable for all accounts. Inappropriate use of performance benchmarks could result in clients adjusting the composition of their portfolios or otherwise making investment decisions that are inconsistent with their identified investment objectives as they seek to pursue the benchmark.

We note that the provision of performance benchmarks are not prohibited under Rule 2.8.3 provided that benchmarks provided to a client are relevant to that client's portfolio and not used in a manner that is misleading.

Requirement for Member to Approve Any Client Communication

Advocis reiterated its concerns noted during the first publication, noting that the proposed requirement under Rule 2.8.3(b) may be interpreted to apply to all Approved Person communications, whether written or oral and recommended amending this section by removing the word "any" to clarify this section.

MFDA Response

The section does not require further clarification.

*As noted, the requirements in proposed Rule 2.8.3(b), refer to "client communication", which is defined in Rule 2.8.1 as "****any written communication****" by a Member or Approved Person to a client of the Member, including trade confirmations and account statements, other than an advertisement or sales communication". Accordingly, only written communications and not verbal conversations that reference performance are subject to the requirements of Rule 2.8.3(b). In addition, Rule 2.8.3 requires Member supervision of client communications containing a rate of return regarding a specific account or group of accounts and does not require Member supervision of a rate of return provided for specific products.*

Rule 5.3 (Client Reporting)

Client Reporting

RMFI and PH&N expressed concern that the Proposed Amendments are not harmonized with other regulators' client reporting requirements. For example, RMFI and PH&N noted that proposed NI 31-103 will require all dealers, including mutual fund dealers, to deliver account statements every three months for both client name and nominee name accounts and therefore further consequential amendments to the MFDA Rules will be required to harmonize with NI 31-103. RMFI and PH&N recommended that the client reporting requirements not be finalized at this time in order to avoid unnecessary confusion.

IGM expressed concern that a number of the key terms used in Rule 5.3.5, including total assets deposited and withdrawn, remain undefined and recommended clarification of the requirement in section 5.3.5 (a)(v) to include gains and losses. IGM noted that if this requirement is meant to reflect changes in value, it may not be a concern, however, if it is intended to reflect potential tax consequences it would be. For clarity, IGM recommended addressing this issue either through amendments to the proposed Rule or, alternatively, through an MR Notice providing further guidance in this area.

FAIR expressed support for the requirement to provide the gain and loss in the account as at the end of the reporting period and noted that this is a logical step forward in order to facilitate investors' access to the key information relating to their investments.

IFIC acknowledged the fact that investors should receive basic, core information on the performance of their investments annually; however, it expressed the view that the Proposed Amendments are too prescriptive in this regard. IFIC recommended focusing primarily on a requirement that full disclosure be provided to the client, via the Relationship Disclosure Document, on the specifics of the provided performance information and its delivery and providing Members with flexibility with regard to specific information to be provided and methodology to be used for its delivery.

IFIC expressed the view that there remains confusion as to the requirement for annual reporting and requested clarification whether a quarterly statement is to contain activity and performance information for the quarter and for the previous three quarters.

MFDA Response

The MFDA has made consequential amendments to MFDA Rules to conform to requirements under NI 31-103. These amendments to reflect NI 31-103 do not impact the proposed changes for performance reporting.

The Proposed Amendments permit flexibility regarding the method of disclosing performance information (either as a percentage or dollar value of the key components). Further, the method of delivery has not been prescribed. Performance return information must be provided annually. This information can be incorporated into an account statement or can be provided separately.

Quarterly account statements must include an activity report for each transaction made by the client during the period covered by the statement (i.e. during the quarter). Under proposed Rule 5.3.5, the Member must provide account performance reporting on an annual basis. If a Member chooses to provide such information more frequently (e.g. by including it on the quarterly statement), it must be provided on an annualized basis.

13.2 Marketplaces

13.2.1 Notice of Approval – Amendments to Part VI of the TSX Company Manual

TORONTO STOCK EXCHANGE

NOTICE OF APPROVAL

AMENDMENTS TO PART VI OF THE TORONTO STOCK EXCHANGE ("TSX") COMPANY MANUAL

Introduction

In accordance with the Protocol for Commission Oversight of Toronto Stock Exchange Rule Proposals (the "Protocol") between the Ontario Securities Commission (the "OSC") and Toronto Stock Exchange ("TSX"), TSX has adopted, and the OSC has approved, amendments (the "Amendments") to Part VI of the TSX Company Manual (the "Manual") which are attached at **Appendix A**. The Amendments are public interest amendments to the Manual, together with ancillary non-public interest amendments. The Amendments were published for public comment in a request for comments on November 13, 2009 ("Request for Comments").

Reasons for the Amendments

In 2009, TSX published a request for comments on its security holder approval requirements for acquisitions. In response, a concern was raised regarding the application of security holder approval requirements for acquisitions of investment funds. Effective November 24, 2009, TSX amended its rules for security holder approval requirements for acquisitions and now requires security holder approval for the issuance of securities as full or partial consideration for an acquisition where such number of securities exceeds 25% of the issued and outstanding securities of the listed issuer. Prior to the amendment, a listed issuer acquiring a public company was generally exempt from the security holder approval requirement, and investment funds engaged in permitted mergers were therefore generally exempt from the security holder approval requirement.

In addition, certain market participants have recently expressed interest in TSX codifying security holder approval requirements for investment funds that are being acquired.

Summary of the Amendments

TSX received two comment letters in response to the Request for Comments. A summary of the comments together with TSX's responses is attached at **Appendix B**. TSX has made non-material changes since the Request for Comments, based on both the public comments and the OSC's comments, and in relation to questions asked in the Request for Comments. A blacklined version of the Amendments showing the changes since the Request for Comments is attached as **Appendix C**.

Subsection 604(g) Security holder approval for target investment funds

TSX will require security holder approval of an investment fund which is the subject of an acquisition, unless certain conditions are met, as proposed in the Request for Comments. However, as a result of comments received, we have clarified that the requirement applies to acquisitions of funds or assets. We have also specified that there must be a minimum of 20 business days notice to security holders of the redemption right and that notice by press release will be acceptable. The conditions have been amended to require the fund manager, rather than the Independent Review Committee ("IRC"), to make certain determinations, and to then refer the transaction to its IRC for approval, to be more consistent with the role of an IRC and the requirements in National Instrument 81-102. We have also specified that the funds cannot bear any of the costs and expenses associated with the transaction in order to be exempt from the security holder approval requirement.

Subsection 611(d) Exemption for acquiror investment funds from security holder approval required under Subsection 611(c)

TSX will exempt an investment fund from the security holder approval requirement for acquisitions exceeding 25% dilution as set out in Subsection 611(c), provided that certain conditions are met, as proposed in the Request for Comments. However, as a result of comments received, the conditions have been amended to require the fund manager, rather than the IRC, to make certain determinations, and to then refer the transaction to its IRC for approval, to be more consistent with the role of an IRC and the requirements in National Instrument 81-102. We have also specified that the funds cannot bear any of the costs and expenses associated with the transaction in order to be exempt from the security holder approval requirement.

Text of the Amendments

The Amendments are attached at **Appendix A**.

Effective Date

The Amendments will become effective on August 16, 2010 (the "Effective Date"). The Amendments will not have any retroactive effect. However, as advised in the Request for Comments, TSX will consider applications by investment funds made prior to the Effective Date for a discretionary exemption from the security holder approval requirement in Subsection 611(c) provided the terms set out in this Final Notice of Approval are present.

APPENDIX A

AMENDMENTS TO PART VI OF THE TSX COMPANY MANUAL SUBSECTION 604(G) AND SUBSECTION 611(D)

Sec. 604(g). Security Holder Approval

(g) When a listed issuer that is an investment fund: (i) is being acquired, or (ii) transfers its assets; and after the transaction will cease to continue and its security holders will become security holders of another investment fund, TSX will require that such listed issuer obtain security holder approval for the transaction, unless all of the following conditions are met:

(i) the listed issuer has a permitted merger clause in its constating documents which permits the transaction by the listed issuer without security holder approval;

(ii) the consideration offered to security holders of the listed issuer for the transaction has a value that is not less than NAV;

(iii) the manager of the listed issuer has determined that the investment objectives, valuation procedures and fee structure of the listed issuer and the acquiring issuer are substantially the same, has made such representations to its IRC, and has referred the transaction to its IRC for approval;

(iv) the IRC of the listed issuer has approved the transaction;

(v) the listed issuer is providing its security holders with a redemption right for cash proceeds which are not less than NAV, together with not less than 20 business days notice by press release including a description of such redemption right and the transaction; and

(vi) the investment funds participating in the transaction bear none of the costs and expenses associated with the transaction.

Sec. 611. Acquisitions.

(d) Subject to Subsection 611(b), TSX will not require security holder approval where the acquiring listed issuer is an investment fund and all of the following conditions are met:

(i) the issuer being acquired is an investment fund(s) that calculates and publishes its NAV at least once a month;

(ii) the consideration being offered for the acquisition does not exceed the NAV of the investment fund that is the subject of the acquisition;

(iii) the manager of the acquiring listed issuer has determined that the assets being acquired are consistent with the acquiring issuer's investment objectives, has made such representations to its IRC, and has referred the transaction to its IRC for approval;

(iv) the IRC of the acquiring listed issuer has approved the acquisition;

(v) the number of securities issued or issuable in payment of the purchase price for the acquisition does not exceed 100% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis; and

(vi) the investment funds participating in the transaction bear none of the costs and expenses associated with the transaction.

Interpretation

"investment fund" has the same definition found in the OSA.

"IRC" means the independent review committee of an investment fund established under National Instrument 81-107 – Independent Review Committee for Investment Funds;

"NAV" means net asset value and has the same meaning as provided in National Instrument 81-106 – Investment Fund Continuous Disclosure;

APPENDIX B

SUMMARY OF COMMENTS

PART VI – CHANGES IN CAPITAL STRUCTURE OF LISTED ISSUERS

Two comment letters were submitted in response to the Request for Comments published on November 13, 2009 (the "Request for Comments"). One comment letter is from the investment management practice group at Borden Ladner Gervais ("BLG") and the second letter requested confidentiality ("Confidential Commenter").

Capitalized terms used and not otherwise defined shall have the meaning given in the Request for Comments.

Summarized Comments Received	*TSX Response*
(i) Security Holder Approval Requirements for Target Investment Funds	
1. **Is it appropriate for TSX to require security holder approval of an acquisition by a listed investment fund which is the subject of an acquisition?**	
It was submitted that it is appropriate for TSX to require security holder approval, but only if the fund's constating documents do not authorize the fund manager to otherwise complete the acquisition. (Confidential Commenter)	Similar to NI 81-102, there are circumstances where security holder approval will always be required. TSX is not satisfied that the existence of permitted merger provisions in the fund's constating documents is sufficient to override security holder rights. However, the existence of such provisions in the fund's constating documents is relevant in the proposed exemption in Subsection 604(g).
2. **Should security holder approval be required in all instances, regardless of any conditions that may be met? Please explain your response with reference to investor protection and the costs of seeking security holder approval.**	
It was submitted that where the fund's constating documents authorize an acquisition without unitholder approval, and this provision has been publicly disclosed, then the fund should not be required to obtain security holder approval and incur the costs. (Confidential Commenter)	Please see the response to Question 1.
3. **Are the proposed conditions to permit an acquisition without security holder approval appropriate?**	
It was submitted that if investors have a redemption right in advance of closing the acquisition, then determinations such as whether the investment objectives or fee structures are similar are not necessary. (Confidential Commenter)	Similar to National Instrument 81-102, there are situations where security holder approval is required and no exemptions from security holder approval are provided. TSX does not agree that the existence of a redemption right is sufficient to exempt security holder approval rights. The goal is to ensure some parity for investors who stay in the merged fund, similar to what is provided for conventional mutual funds under NI 81-102.
4. **Are there any additional conditions that should be required to permit an acquisition without security holder approval? If so, what are they?**	
It was proposed that the conditions more closely mirror those present in NI 81-102 Section 5.3(2). (Confidential Commenter) It was also proposed that the redemption right only be exercisable until the date on which a security holder in the terminating fund would have been entitled to exercise such a redemption right had the acquisition not been completed. (Confidential Commenter)	TSX has considered the conditions applicable to conventional mutual fund mergers in proposing the Amendments. However, TSX does not regulate all matters related to acquisitions, and as such has not added certain of the suggested provisions. For example, TSX does not require that the funds involved must be managed by the same manager or an affiliate of the manager. TSX will also not require that the acquisition be completed on a tax deferred rollover basis. TSX does agree that notice of the acquisition should be prescribed, and has amended the rule to provide that notice be given not less than 20 business days prior to completion of the acquisition. TSX will require the redemption right without limiting the exercise date in order to ensure the full effect of the redemption right.

Summarized Comments Received	*TSX Response*
5. **Should the investment fund be permitted to deduct the administrative expenses involved in exercising the redemption right? If so, would it be appropriate to cap the administrative expenses that could be charged, and at what level?**	
It was submitted that security holders exercising the redemption right should pay the administrative costs of the redemption. One submission cited the choice of the investor to exercise the redemption right and the fact that the transaction is either contemplated by the fund's constating documents or approved by security holders. (Confidential Commenter) The other submission described such charge as appropriate since it is a new right being given to security holders, which has been approved by the fund's IRC. (BLG)	TSX views the provision of the redemption right as being given in part in lieu of the fund being required to obtain security holder approval. The provision of the redemption right is in connection with providing an exemption from security holder approval which is a cost saving to the fund. No submissions were provided with respect to an appropriate level of administrative expenses or cap on such expenses which would be fair to impose on security holders who would otherwise have an approval right. No deduction of administrative expenses for the exercise of the redemption right will therefore be permitted if a fund is relying on the exemption from security holder approval.
6. **Is it appropriate that the independent review committee determine whether the investment objectives, valuation procedures and fee structure of the funds are substantially similar? Is there anything else that the independent review committee of the fund should specifically be required to review in order for an acquisition to proceed without security holder approval?**	
Commenters submitted that it was not appropriate for the IRC to make all of the determinations proposed in the Amendments as the IRC contemplated under NI 81-107 was not constituted to make all such assessments. (Confidential Commenter) The IRC for mutual funds approves certain transactions, but NI 81-102 and NI 81-107 do not mandate a particular decision-making process by the IRC. It was proposed that the role of the IRC should be consistent for mutual funds and for listed investment funds. (BLG) It was also submitted that assessments with respect to matters such as investment objectives and fees are more appropriately made by the manager of the fund. (Confidential Commenter)	TSX is satisfied that the relevant assessments of investment objectives, valuation procedures and fee structures may be made by the manager of the fund. TSX will require that the manager has made such determination and will make such representations to the IRC when presenting the transactions to the IRC for approval. The IRC will then be required to approve the acquisition in accordance with its usual procedures before the transaction may proceed.
7. **Is it appropriate that TSX require that the investment funds participating in a merger bear none of the costs and expenses associated with the transaction?**	
It was submitted that it would be appropriate for funds to bear the costs of the transaction. It was proposed that it is appropriate because the only ways for listed funds to grow is to complete public offerings or acquisitions. It was submitted that the costs of acquisitions would disincline managers from completing otherwise beneficial mergers. (Confidential Commenter)	TSX is satisfied that it is appropriate to mirror the rule applicable to conventional mutual funds with respect to costs and expenses of mergers. The requirement is in connection with providing an exemption from security holder approval which is a cost saving to the fund. TSX understands that funds will take into account all relevant costs in assessing the benefits of the acquisition. This requirement helps focus the assessment of the transaction on the best interests of the fund.

Summarized Comments Received	*TSX Response*
(ii) Exemption from Security Holder Approval Requirement for Acquiring Investment Funds	
8. **Is it appropriate to provide investment funds with an exemption from the security holder approval requirement set out in Subsection 611(c)? If not, please explain.**	
It was submitted that no exemption should be required for funds because the acquiring fund is just acquiring assets. (Confidential Commenter)	Subsection 611(c) of the Manual requires security holder approval of an acquisition that results in more than 25% dilution. Acquisitions may include assets. A fund's constating documents which permit such an acquisition do not override the requirement in Subsection 611(c). However, the existence of such provisions in the fund's constating documents is relevant in the proposed exemption in Subsection 611(d).
9. **Should security holder approval be required for an investment fund acquiror where dilution is more than 25%, regardless of any conditions that may be met? Please explain your response with reference to investor protection and the costs of seeking security holder approval.**	
It was submitted that if the consideration for the acquisition is at NAV, then there is no dilution of a security holder's investment and no security holder approval should be required. (Confidential Commenter)	As discussed in the Request for Comments, the key concerns for acquisitions by investment funds are not primarily related to dilution since consideration must be at NAV. However, the proposed exemption and conditions required to be eligible for the exemption are consistent with NI 81-102. There are issues involved in security holder approval rights beyond dilution. For example, there could be a change in the fund manager or the termination time of the fund. TSX does not agree that consideration at NAV is sufficient to exempt security holder approval rights without the proposed conditions being met.
10. **Are there any circumstances under which the proposed exemption should not apply (i.e., for conventional mutual funds, there is no exemption from security holder approval if the transaction is a material change for the acquiror fund)?**	
It was submitted that security holder approval should only be required when consideration for the acquisition is not determined at NAV or the acquisition is material to the acquiror fund. (Confidential Commenter)	Security holder approval is required under Subsection 611(c) of the Manual when dilution from the acquisition is over 25%. TSX has set this bright line test for security approval requirements rather than a test such as materiality. See also the response at Question 9.
11. **Are the proposed conditions for an exemption from the security holder approval requirement appropriate?**	
See Question 10.	
12. **Are there additional conditions that should be added in order to permit the exemption from security holder approval? If so, what are they?**	
See Question 10.	
13. **Is it appropriate that the independent review committee determine whether the investment objectives of the funds are substantially similar? Is there anything else that the independent review committee of the fund should specifically be required to review in order for an acquisition to proceed without security holder approval?**	
See Question 6.	
General	
It was submitted that subsection 604(g) could be interpreted as only applying to acquisitions of units of funds and not to mergers of funds or acquisitions of assets. (Confidential Commenter)	Subsection 604(g) is to apply broadly to acquisitions and mergers of funds and assets. Revisions have been made to reflect this more broad interpretation.

Summarized Comments Received	*TSX Response*
It was submitted that it would be more appropriate for the Canadian securities regulators to make rules to apply to investment funds rather than TSX regulating only listed investment funds. (BLG) It was suggested that to the extent that the CSA develops rules regarding mergers or other acquisitions of public investment funds, that TSX commit to revise or delete its rules. It was also suggested that TSX ensure its rules are consistent with rules applicable to mutual funds under 81-102.	TSX has considered NI 81-102 and the rules applicable to conventional mutual funds, and has worked with the OSC in this regard. However, TSX does not regulate all of the same matters as the OSC, and, as such, the provisions are not identical. TSX believes, however, that they are consistent given differences between the regulatory regimes. TSX agrees that it will review its rules should the CSA develop rules that impact or overlap with its rules.

APPENDIX C

BLACKLINED VERSION OF THE AMENDMENTS SHOWING CHANGES SINCE THE NOVEMBER 13, 2009 REQUEST FOR COMMENTS

Sec. 604(g). Security Holder Approval

(g) When a listed issuer that is an investment fund; (i) is being acquired, or (ii) transfers its assets; and after the transaction will cease to continue and its security holders will become security holders of another investment fund, TSX will require that such ~~investment fund~~listed issuer obtain security holder approval for the ~~acquisition~~transaction, unless all of the following conditions are met:

(i) the listed issuer has a permitted merger clause in its constating documents which permits the ~~acquisition of~~transaction by the listed issuer without security holder approval;

(ii) the consideration offered to security holders of the listed issuer for the ~~acquisition~~transaction has a value that is not less than NAV;

(iii) the ~~independent review committee~~manager of the listed issuer ~~being acquired~~ has~~: (A)~~ determined that the investment objectives, valuation procedures and fee structure of the listed issuer and the acquiring issuer are substantially the same~~; and (B) approved the acquisition; and~~, has made such representations to its IRC, and has referred the transaction to its IRC for approval;

(iv) the IRC of the listed issuer has approved the transaction;

(~~iv~~v) the listed issuer is providing its security holders with a redemption right for cash proceeds which are not less than NAV, together with ~~adequate~~not less than 20 business days notice ~~and~~by press release including a description of such redemption right and the ~~acquisition.~~transaction; and

(vi) the investment funds participating in the transaction bear none of the costs and expenses associated with the transaction.

Sec. 611. Acquisitions.

(c) Subject to Subsection 611(d), security holder approval will be required in those instances where the number of securities issued or issuable in payment of the purchase price for an acquisition exceeds 25% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis.

(d) Subject to Subsection 611(b), TSX will not require security holder approval where the acquiring listed issuer is an investment fund and all of the following conditions are met:

(i) the issuer being acquired is an investment fund(s) that calculates and publishes its NAV at least once a month;

(ii) the consideration being offered for the acquisition does not exceed the NAV of the investment fund that is the subject of the acquisition;

(iii) the ~~independent review committee~~manager of the acquiring listed issuer has~~: (A)~~ determined that the assets being acquired are consistent with the acquiring issuer's investment objectives, has made such representations to its IRC, and has referred the transaction to its IRC for approval;

(iv) the IRC of the acquiring listed issuer ~~and the issuer being acquired are substantially the same; and (B)~~has approved the acquisition;~~ and~~

(~~iv~~v) the number of securities issued or issuable in payment of the purchase price for the acquisition does not exceed 100% of the number of securities of the listed issuer which are outstanding, on a non-diluted basis~~.~~; and

(vi) the investment funds participating in the transaction bear none of the costs and expenses associated with the transaction.

Interpretation

"investment fund" has the same definition found in the OSA.

"IRC" means the independent review committee of an investment fund established under National Instrument 81-107 – Independent Review Committee for Investment Funds;

"NAV" means net asset value and has the same meaning as provided in National Instrument 81-106 – Investment Fund Continuous Disclosure;

13.2.2 Alpha ATS LP – Notice of Proposed Changes and Request for Feedback

ALPHA ATS LP
NOTICE OF PROPOSED CHANGES AND REQUEST FOR FEEDBACK

Alpha ATS LP has announced its plans to implement the changes described below in Q4 2010. It is publishing this Notice of Proposed Changes in accordance with the requirements set out in OSC Staff Notice 21-703 – *Transparency of the Operations of Stock Exchanges and Alternative Trading Systems*. Pursuant to OSC Staff Notice 21-703, Commission Staff invite market participants to provide the Commission with feedback on the proposed changes.

Feedback on the proposed changes should be in writing and submitted by **August 16, 2010** to:

Market Regulation Branch
Ontario Securities commission
Suite 1903, Box 55
20 Queen Street West
Toronto, ON M5H 3S8
Fax (416) 595-8940
Email: marketregulation@osc.gov.on.ca

and to:

Randee Pavalow
Head of Operations and Legal
Alpha ATS LP
70 York Street, suite 1501
Toronto, ON M5J 1S9
Email: randee.pavalow@alphatradingsystems.ca

If the proposed changes do not raise any regulatory concerns, Alpha ATS may implement the proposed changes by **August 30, 2010**.

13.2.3 Alpha ATS LP – Notice of Proposed Changes

ALPHA ATS LP
NOTICE OF PROPOSED CHANGES

Alpha ATS LP has announced its plans to implement the changes described below in Q4 2010. It is publishing this Notice of Proposed Changes in accordance with the requirements set out in OSC Staff Notice 21-703.

Any questions regarding these changes should be addressed to Randee Pavalow, Head of Operations and Legal, Alpha ATS LP: randee.pavalow@alphatradingsystems.ca, t: 647-259-0420

Description of Proposed Changes and Reasons for Changes

Alpha IntraSpread™ facility, a set of new order types offered by Alpha ATS, allows Subscribers to seek order matches within their firm without pre-trade transparency, with guaranteed price improvement for active orders. The IntraSpread™ facility is available to all Subscribers and for all symbols traded on Alpha ATS.

The two new order types introduced by Alpha IntraSpread™ facility are Dark order and Seek Dark Liquidity™ (SDL™) order.

Dark Order

Dark order is a fully hidden order, used to manage passive interest with no pre-trade transparency, and offer price improvement to tradable incoming orders.

- Dark orders have no pre-trade transparency as information on Dark orders is not disseminated on any public data feeds.
- Price of a Dark order is calculated as an offset of the NBBO by adding the price offset to the national best bid for a buy order and subtracting it from the national best offer for a sell order. Price of the Dark order can optionally be capped.
- Price offset is calculated as a percentage of the NBBO spread with value expressed as 10%, 20%, 30% … 90%, but capped to one standard price increment. If either side of the NBBO is not set, or the NBBO is locked or crossed, Dark orders will not trade.
- Dark orders are day only orders and must be for a board lot quantity. Dark orders cannot be Iceberg, On-Stop, Inside Match, AON, FOK, FAK, MOO, LOO, MOC, Special Terms, Bypass, Passive Only, TTM or ROC.
- Dark orders can be amended, including quantity, price offset and price cap, in addition to other standard amendable order attributes.
- Dark orders trade only with incoming SDL™ orders that are tradable at the calculated price of the Dark order. Dark orders do not trade with each other.
- Trades are disseminated on the public data feed in real-time. These trades do not set the Alpha last sale price (ALSP) or the NLSP. Trade prices may have up to three decimal places for prices above $0.50 and up to four decimal places for prices below $0.50.
- Dark orders are accepted in Pre-Open and Continuous trading sessions (from 7:00am to 4:00pm). Dark orders trade in the Continuous trading session but do not participate in opening or closing auctions.

Seek Dark Liquidity™ (SDL™) Order

SDL™ order is used to interact with the dark liquidity of the same Subscriber.

- SDL™ orders are “immediate-or-cancel” - they trade with eligible Dark orders to the extent possible, and any residual is cancelled. Price can be market or limit.
- SDL™ orders only trade with Dark orders and do not interact with other transparent orders in the Alpha CLOB. SDL™ orders only match with Dark orders from the same Subscriber.
- SDL™ orders must be for a board lot quantity, and cannot be Iceberg, On-Stop, Inside Match, AON, FAK, MOO, LOO, MOC, Special Terms, Bypass, Passive Only, TTM or ROC.

- SDL™ orders are accepted only during Continuous trading session (from 9:30am to 4:00pm)

Example

NBBO is 25.02 – 25.05

Alpha order book on the bid side is set as follows:

Order #	Visibility	Bid Dealer	Bid Size	Bid Price
1	Dark	A	1,000	NBBO+50%
2	Dark	B	1,000	NBBO+20%
3	Dark	A	1,000	NBBO+10%
4	Transparent	B	100	25.02
5	Transparent	A	100	25.02

If dealer A enters SDL™ order #6 to sell 3,000 at 25.02, the following trades will occur:

- 1,000 @ 25.03 (order #6/order #1. Peg offset for order #1 capped to one penny.)
- 1,000 @ 25.023 (order #6/order #3)

Remaining 1,000 shares of order #6 are cancelled.

Note that order #6 did not trade with order #2 as they are from two different dealers. Also, order #6 did not trade with orders #4 and #5 as SDL™ orders do not interact with transparent orders in Alpha CLOB.

Expected Impact of the changes

The Alpha IntraSpread™ facility will give Alpha Subscribers the opportunity to minimize market impact and take advantage of guaranteed price improvement. The Alpha IntraSpread™ facility offers additional alternatives to Subscribers when making order routing decisions.

Consultations

Alpha received requests for this facility from its Subscribers. Discussions were held with Subscribers to refine requirements and review feedback from the Regulators. In addition, a Notice to Subscribers describing the functionality and changes to the Trading Policies have been published on the Alpha ATS web site.

Current implementation of changes in the Canadian marketplace and any alternatives considered

Dark matching facilities and orders are currently available in the Canadian capital markets. The implementation of the Alpha IntraSpread™ Facility was designed to address comments and requests made by its Subscribers. Alternatives considered focused on the interaction between dark orders and the CLOB, price improvement variables, and sub-penny pricing. Alpha also modified details of its proposal in response to comments made by the regulators.

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